



## **COMMUNITY DEVELOPMENT COMMISSION**

### **County of Los Angeles**

2 Coral Circle • Monterey Park, CA 91755

323.890.7001 • [www.lacdc.org](http://www.lacdc.org)

**Gloria Molina**  
**Yvonne Brathwaite Burke**  
**Zev Yaroslavsky**  
**Don Knabe**  
**Michael D. Antonovich**  
*Commissioners*

**Carlos Jackson**

*Executive Director*

September 14, 2004

Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Honorable Board of Commissioners  
Community Development Commission  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors and Commissioners:

**DISPOSITION AND DEVELOPMENT AGREEMENT WITH BEYOND SHELTER, INC.,  
TO DEVELOP 12 APARTMENTS IN UNINCORPORATED WILLOWBROOK (2)  
(3 Vote)**

**IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:**

1. Consider the attached Environmental Assessment/Mitigated Negative Declaration prepared pursuant to the requirements of the California Environmental Quality Act (CEQA) for the development of Mason Court, a 12-unit affordable rental housing development for families certified by the Department of Children and Family Services (DCFS) as at-risk of out of home placement due to allegations of child abuse and/or neglect, to be located at 2129 East El Segundo Boulevard in unincorporated Willowbrook.
2. Find that with the incorporation of the mitigation measures identified in the attached Mitigation and Monitoring Plan, and required as a condition of project approval, the demolition of an existing 12-unit, 7,046 square foot apartment building and construction of a 12-unit, 12,760 square foot apartment building on the subject property will not have a significant

effect on the environment; approve the Environmental Assessment/Mitigated Negative Declaration; find that the project will have no adverse effect on wildlife resources; and authorize the Executive Director of the Community Development Commission to complete and file with the County Clerk a Certificate of Exemption for the project described above.

3. Find that the Environmental Assessment/Mitigated Negative Declaration reflects the independent judgment of the County, and instruct the Executive Director to file with the County Clerk a Notice of Determination, as required by CEQA; and instruct the Executive Director to take any and all actions necessary to complete the implementation of this environmental review action, for the project described above.
4. Authorize the Executive Director to use up to \$1,513,180 in Home Investment Partnership (HOME) Program funds, to provide pre-development, demolition, construction and permanent financing for the project described above.

**IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:**

1. Approve a 30-year Loan and Development Agreement (Agreement), submitted in substantially final form, between the Commission and Beyond Shelter Housing Development Corporation, Inc., a California non-profit corporation (the Developer), to develop Mason Court, a 12-unit affordable rental housing development for families certified by the Department of Children and Family Services (DCFS) as at-risk of out of home placement due to allegations of child abuse and/or neglect, to be located at 2129 East El Segundo Boulevard in unincorporated Willowbrook.
2. Authorize the Commission to fund the HOME loan to the Developer, using up to \$1,513,180 in HOME Investment Partnerships (HOME) Program funds, for the purposes described above, and to incorporate the funds into the Commission's approved Fiscal Year 2004-2005 budget.
3. Authorize the Executive Director to execute the Agreement, and all related documents, to be effective following approval as to form by County Counsel and execution by all parties.
4. Authorize the Executive Director to subordinate the Commission's loan to the permitted construction and permanent financing.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

The purpose of this action is to approve an Agreement between the Commission and the Developer for development of 12 units of housing for families certified by DCFS as being at-risk of out of home placement due to allegations of child abuse and/or neglect.

**FISCAL IMPACT/FINANCING:**

There is no impact on the County general fund.

In 2003, the Commission purchased the subject property with \$645,850 in Community Development Block Grant (CDBG) funds allocated to the Second Supervisorial District, with the intent of developing low-income multifamily housing on the site. With the subsequent fluctuations in the real estate market, the property was appraised in August 2004 by an independent appraiser at \$555,000.

Under the proposed Agreement, the Developer will acquire the Commission-owned site for \$555,000, to be evidenced by a Promissory Note and secured by a subordinated Deed of Trust. The Agreement also provides up to \$1,513,180 in HOME funds for predevelopment, demolition, construction and permanent financing costs. Both loans will be for 30-year terms at three percent simple interest, evidenced by a Promissory Note and secured by a subordinated Deed of Trust. The loan will be repaid from residual rental receipts generated from the property.

The Developer will also apply for \$373,417 in funding in the next allocation of City of Industry Redevelopment Housing Set-Aside Funds (Industry Funds), under the Affordable Housing category, which is expected to occur in September 2004. Industry Funds will be used as gap financing, and may be used to reduce the HOME loan amount.

The estimated total cost for the project is \$2,441,597. A Financial Analysis is provided as Attachment A.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

The Los Angeles County Special Needs Housing Alliance (Alliance) was established by the New Directions Task Force to serve as a strong, integrated Countywide housing program coordinating capital, service and operational resources in the creation of special needs housing. Alliance members have participated in the review of the proposed development and support its completion.

Mason Court will offer permanent housing consisting of 12 two-bedroom rental apartments for families certified by DCFS as at-risk and for whom the lack of adequate housing has been identified as a primary factor in the placement of their child or children in out-of-home care, or in the delay in reuniting with their families children who are in out-of-home care.

The project provides for the demolition of the existing vacant, substandard multifamily structure and the construction of a new 12-unit multifamily apartment complex. The Developer will be project sponsor and owner, and services will be provided by Beyond Shelter, its sister organization.

The development will be comprised of 11 two-bedroom rental units and one two-bedroom manager's unit. All of the rental units will be reserved for families certified by DCFS as at-risk and with incomes not exceeding 50 percent of the Area Median Income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (HUD). The affordability period will run for 55 years from the date of execution of the Agreement.

The proposed project is being federally funded and is not subject to the requirements of the Greater Avenues for Independence (GAIN) Program, or the General Relief Opportunity for Work (GROW) Program implemented by the County of Los Angeles. Instead, the Developer must comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

The Agreement has been reviewed by County Counsel and is being presented in substantially final form. It will be effective following approval by County Counsel and execution by all parties.

#### **ENVIRONMENTAL DOCUMENTATION:**

An Environmental Assessment was prepared for the project pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). This document describes the proposed project, evaluates the potential environmental effects, and describes the mitigation measures necessary to avoid potentially significant environmental effects from the project. Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was approved by the Community Development Commission on July 12, 2004. Following the required public and agency comment period, HUD issued a Release of Funds for the project on August 24, 2004.

Consistent with the provisions of the CEQA Guidelines, Article 14, Section 15221, notice was provided to the public that the Environmental Assessment would be used in place of an Initial Study to satisfy CEQA requirements. The Environmental Assessment/Mitigated Negative Declaration was circulated for public review as required by state and local law, and the Environmental Assessment/Mitigated Negative Declaration, in conjunction with the Mitigation and Monitoring Plan, meets the requirements of CEQA.

Approval of the Environmental Assessment/Mitigated Negative Declaration, including the Mitigation and Monitoring Plan, and filing a Notice of Determination with the County Clerk



will satisfy CEQA requirements. A fee must be paid to the State Department of Fish and Game when certain notices required by CEQA are filed with the County Clerk. The Commission is exempt from paying this fee when your Board finds that the project will have no significant impact on wildlife resources. The project is located in an urban setting, and the Environmental Assessment/Mitigated Negative Declaration concludes there will be no adverse effect on wildlife resources.

The environmental review record for this project is available for viewing by the public during regular business hours at the Commission's main office located at 2 Coral Circle, Monterey Park.

**IMPACT ON CURRENT PROJECT:**

Approval of the Agreement will increase the supply of affordable housing in the County and benefit families who receive family preservation services, which supports the safety and well being of children and families and reduces and/or limits the possibility of out of home placement.

Respectfully submitted,

CARLOS JACKSON  
Executive Director

Attachments: 2

**Attachment A**  
**HOUSING FINANCIAL ANALYSIS**  
**MASON COURT**

2129 E. El Segundo Blvd., unincorporated Los Angeles County

The project will be comprised of 12 two-bedroom units, including one manager's unit. Eleven of the units will be reserved for families certified by the Department of Children and Family Services as at-risk, with incomes not exceeding 50 percent of the Area Median Income for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (HUD).

The following is an analysis of funding for the project:

**Development Phase:**

<b><u>Sources</u></b>	<b><u>Total</u></b>	<b><u>Per Unit Cost</u></b>
HOME Loan	\$1,513,180	\$126,098
CDBG Land Acquisition Loan	555,000	46,250
Anticipated Industry Funds	373,417	31,118
<b>TOTAL</b>	<b>\$2,441,597</b>	<b>\$203,466</b>

**Uses**

<b>Total Development Cost</b>	<b>\$2,441,597</b>	<b>\$203,466</b>
-------------------------------	--------------------	------------------

**Permanent Phase:**

**Sources**

HOME Loan	\$1,513,180	\$126,098
CDBG Land Acquisition Loan	555,000	46,250
Anticipated Industry Funds	\$373,417	31,118
<b>TOTAL</b>	<b>\$2,441,597</b>	<b>\$203,466</b>

**Uses**

<b>TOTAL DEVELOPMENT COST</b>	<b>\$2,441,597</b>	<b>\$203,466</b>
-------------------------------	--------------------	------------------

# **LOAN AND DEVELOPMENT AGREEMENT**

by and between the

**COMMUNITY DEVELOPMENT COMMISSION  
OF THE COUNTY OF LOS ANGELES**

a public body corporate and politic

and

**BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION,**

a California Nonprofit Corporation

with loans in the initial principal amounts of

**\$1,513,180 (HOME)**

and

**\$555,000 (CDBG)**

\_\_\_\_\_, 2004

## TABLE OF CONTENTS

	TRANSACTION SUMMARY .....	1
1.	COMMISSION LOANS .....	3
2.	PROMISSORY NOTES; LOAN REPAYMENT .....	3
	2.1 Note .....	3
	2.2 Basic Interest .....	3
	2.3 Payment Dates and Amounts .....	4
	2.4 Payments Due on Transfer or Refinance .....	5
3.	ACCELERATION .....	5
4.	PREPAYMENT; APPLICATION OF PAYMENTS .....	5
5.	SECURITY AND SOURCE OF PAYMENT .....	5
6.	ESCROW; CONDITIONS TO FUNDING THE LOANS .....	6
7.	SUPPORTIVE SERVICES .....	9
8.	PURPOSE OF LOANS .....	10
9.	COVENANTS OF BORROWER .....	11
	9.1 Compliance with Laws .....	11
	9.2 Revenue Disclosures .....	11
	9.3 Other Reports .....	11
	9.4 Indemnification .....	12
	9.5 Audit by State and Federal Agencies .....	12
	9.6 Program Evaluation and Review .....	12
	9.7 Hazardous Materials .....	12
	9.8 Insurance .....	13
	9.9 Financial Statements; Tax Returns .....	15
	9.10 Other Loans .....	15
	9.11 Relocation Requirements .....	16
10.	USE OF PROPERTY; LEASING AND MANAGEMENT .....	16
	10.1 Limitation on Tenants .....	16
	10.2 Tenant Selection Process; Reports and Records .....	17
	10.3 Management of Project .....	17
	10.4 Operations and Maintenance .....	18
11.	BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION .....	18
	11.1 Form of Nondiscrimination and Nonsegregation Clauses .....	19
12.	COMMISSION PROVISIONS .....	19
13.	INDEPENDENT CONTRACTOR .....	19
14.	ASSIGNMENT OF THIS AGREEMENT .....	20
15.	EVENTS OF DEFAULT AND REMEDIES .....	20
	A. Borrower Events of Default .....	20
	B. COMMISSION Remedies .....	21
	C. No Remedy Exclusive .....	21
	D. COMMISSION Default and Borrower Remedies .....	22
16.	Reserved .....	23
17.	AGREEMENT TO PAY ATTORNEY'S FEES AND EXPENSES .....	23
18.	RIGHT OF ACCESS AND INSPECTION .....	23

19.	CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY .....	24
20.	AMENDMENTS, CHANGES AND MODIFICATIONS.....	24
21.	EXECUTION OF COUNTERPARTS .....	24
22.	NOTICES.....	24
23.	SEVERABILITY .....	25
24.	INTERPRETATION .....	25
25.	NO WAIVER; CONSENTS .....	25
26.	GOVERNING LAW .....	25
27.	REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER.....	25
A.	Organization and Standing.....	25
B.	Enforceability.....	25
C.	Authorization and Consents .....	25
D.	Due and Valid Execution.....	26
E.	Licenses.....	26
F.	Litigation and Compliance.....	26
G.	Default.....	26
H.	No Violations .....	26
I.	No Affiliation with Lenders.....	26
28.	APPROVALS .....	26
29.	GOOD FAITH AND FAIR DEALING .....	27
30.	ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT .....	27
31.	HOME PROGRAM AND FEDERAL REQUIREMENTS .....	28

## LOAN AND DEVELOPMENT AGREEMENT

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

---

### *Transaction Summary*

Project Name: Mason Court

Borrower Name: BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION

☐ Limited Partnership ☐ LLC ☒ Nonprofit Public Benefit Corporation ☐ Other \_\_\_\_\_

State of Formation of Borrower Entity: ☒ California; ☐ Delaware; ☐ Other \_\_\_\_\_ (specify)

HOME Loan Amount: \$1,513,180 Interest Rate: ☒ 3% ☐ 10% default

Loan repayment term: 30 years. Repayment type: Pro-rata 73% share of 50% of residual receipts

CDBG Land Acquisition Loan Amount: \$555,000 Interest Rate: ☒ 3% ☐ 10% simple ☐ 10% default

Loan repayment term: 30 years. Repayment type: Pro-rata 27% share of 50% of residual receipts Total

Number of Units in Project: 12

Number of HOME-Assisted Units in Project: 12

Location (Jurisdiction): Willowbrook ☐ Incorporated ☒ Unincorporated

Site Acreage: 18,480 SF Bldg. Sq. Feet: 12,760

Project Type: Rental units for income-qualified: ☐ emancipating foster youth; ☐ persons with developmental disabilities; ☐ persons suffering with HIV or AIDS; ☐ persons with mental illness; ☐ victims of domestic violence ☒ at-risk families

Use of HOME Funds: ☐ Acquisition; ☒ Predevelopment; ☒ Construction; ☒ Permanent

Use of CDBG Funds: ☒ Acquisition; ☐ Certain Predevelopment & Infrastructure; ☐ Construction; ☒ Permanent

Affordability (# assisted units, income levels): 12 HOME-Assisted Units

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
50% Income*			11			11
Manager			1			1
Totals			12			12

\* Area Median Income

Term of Affordability: 55 years.

Other Project Financing Sources / Priority Relative to HOME and CDBG Land Acquisition Loans:

(3) \_\_\_\_\_ ☐ senior ☐ junior ☒ NA

*The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Loan and Development Agreement shall control.*

---

THIS LOAN AND DEVELOPMENT AGREEMENT ("**Agreement**") is made as of the \_\_\_\_ day of \_\_\_\_\_, 200\_, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("**COMMISSION**"), and BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION, a California Nonprofit Corporation (listed in the Transaction Summary above) ("**Borrower**"). COMMISSION and Borrower are sometimes referred to collectively herein as the "**Parties**" and each individually as a "**Party**."

## RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **One Million Five Hundred Thirteen Thousand One Hundred Eighty Dollars (\$1,513,180)** (the "**HOME Loan**") from COMMISSION for the purpose of providing financing for the predevelopment expenses, construction, and permanent financing in connection with the twelve (12) HOME assisted units ("**HOME Units**") in the housing development ("**Project**") described in the Transaction Summary above, and as more particularly described in this Agreement. The HOME Loan will be secured by the HOME Deed of Trust ("**HOME Deed of Trust**"). COMMISSION's source of funding for the Loan is provided from the HOME Investment Partnerships Program, 24 CFR Part 92 ("**HOME**"). The Project will be developed on a site commonly known by the following street address: 2129 El Segundo Blvd., Compton, CA 90222 ("**Site**") legally described on Exhibit "B" to this Agreement. A detailed Project description is attached hereto as Exhibit "G".

B. WHEREAS, Borrower will assume ownership of the Commission-owned Site and payment in the amount of **Five hundred fifty-five thousand dollars (\$555,000)** for the Site will be made under the terms of a CDBG Land Acquisition Loan Promissory Note. The Promissory Note will be secured by the CDBG Deed of Trust. The Commission's source of funds to acquire the Site was CDBG funds.

C. WHEREAS, other sources of financing for the Project are anticipated to include, but may not be limited to (i) senior lien financing listed in the Transaction Summary above, to which COMMISSION shall expressly subordinate the liens of COMMISSION's Deed of Trust ("**Senior Financing**"); (ii) financing junior in priority to the liens of Deed of Trust, as listed in the Transaction Summary above ("**Junior Financing**"); and (iii) other financing sources listed in the Transaction Summary above ("**Other Financing**").

D. WHEREAS, development and operation of the Project on the terms and conditions provided in this Agreement will provide affordable housing opportunities for persons of very low income and/or very very low income as described in the Transaction Summary above. The Project will provide supportive services to the extent described in Section 7 below and in Exhibit "I".

E. WHEREAS, as more particularly provided below, Borrower will deliver to COMMISSION, among other items, the "Deed of Trust", and the "CC&Rs" (as those terms are defined below) to, respectively, secure repayment of the Loan by Borrower as provided herein and to ensure that the affordability and habitability of the Project is maintained in accordance with the terms of those instruments and this Agreement.

F. WHEREAS, COMMISSION desires to make the HOME Loan and CDBG Land Acquisition Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:



## A G R E E M E N T

### 1.0 COMMISSION LOANS.

1.1 COMMISSION agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to make the HOME Loan and CDBG Land Acquisition Loan (collectively known as "Loans") to Borrower, to be used solely for the purposes described herein.

(A) HOME Loan. COMMISSION agrees, subject to the terms and conditions of this Agreement, to loan to the Developer **One Million Five Hundred Thirteen Thousand One Hundred Eighty Dollars (\$1,513,180)** for the purpose of providing financing for the predevelopment expenses, construction, and permanent financing. Payment for the loan shall be in the form of a Promissory Note. The loan will be evidenced by a Promissory Note in the form set forth on the attached Exhibit "C-1" (the "HOME Promissory Note"). The Promissory Note shall be secured by a deed of trust in the form attached hereto as "Exhibit D-1" (the "HOME Deed of Trust").

(B) CDBG Land Acquisition Loan. COMMISSION agrees, subject to the terms and conditions of this Agreement, to convey to the Developer for development the Commission-owned Site valued at **Five hundred fifty-five thousand dollars (\$555,000)**. Payment for the conveyance of the Site shall be in the form of a Promissory Note. The conveyance will be evidenced by a Promissory Note in the form set forth on the attached Exhibit "C-2" (the "CDBG Land Acquisition Note"). The Promissory Note shall be secured by a deed of trust in the form attached hereto as "Exhibit D-2" (the "CDBG Deed of Trust").

### 2.0 PROMISSORY NOTES; LOANS REPAYMENT.

#### 2.1 Note.

(A) HOME Note: As one of the conditions to disbursement of the HOME Loan to Borrower under Section 6 below, Borrower shall execute a HOME Promissory Note (the "**HOME Note**") in the form of Exhibit "C-1" attached hereto, which HOME Note sets forth terms and conditions for the repayment of the HOME Loan. The Note shall be secured by the "HOME Deed of Trust" in the form of Exhibit "D-1" attached hereto.

(B) CDBG Land Acquisition Note: As one of the conditions to conveyance of the Site to the Borrower under Section 6 below, Borrower shall execute a CDBG Promissory Note (the "**CDBG Note**") in the form of Exhibit "C-2" attached hereto, which CDBG Note sets forth terms and conditions for the repayment of the CDBG Land Acquisition Loan. The CDBG Note shall be secured by the "CDBG Deed of Trust" in the form of Exhibit "D-2" attached hereto.

(C) The HOME Note and CDBG Note are hereby collectively known as "Notes." The HOME Deed of Trust and the CDBG Deed of Trust are collectively known as "Deeds of Trust".

## 2.2 Interest.

(A) HOME Loan. The disbursed and unpaid principal balance of the HOME Loan shall bear interest commencing on the date on which such HOME Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("**HOME Basic Rate**"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, and without limiting any other remedy of Commission, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum, compounded monthly ("**HOME Default Rate**").

(B) CDBG Land Acquisition Loan. The principal balance of the CDBG Land Acquisition Loan shall bear interest commencing on the date upon which the CDBG Trust Deed is recorded, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("**CDBG Basic Rate**"). Notwithstanding the foregoing, and without limiting any other remedy of the Commission, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("**CDBG Default Rate**").

## 2.3 Payment Dates and Amounts; Term.

(A) As set forth in greater detail in the HOME Note, Borrower shall repay the HOME Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2037 ("**HOME Maturity Date**") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of all "Residual Receipts" (as defined in the HOME Note) for the prior calendar year. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts will be calculated by dividing the outstanding principal balance of the HOME Loan by the sum of the outstanding principal balance of the HOME Loan and the outstanding principal balances of all other Residual Receipts loans, including but not limited to a proposed Industry Residual Receipts Loan. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION. Notwithstanding any other provision of the HOME Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the HOME Loan together with any outstanding interest and any other sums payable under the HOME Note shall be due and payable in full on the HOME Maturity Date.

(B) CDBG Land Acquisition Loan. As set forth in greater detail in the CDBG Note, Borrower shall repay the CDBG Land Acquisition Loan, together with accrued interest at the CDBG Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2037 ("**CDBG Maturity Date**") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of all "Residual Receipts" (as defined in the CDBG Note) for the prior calendar year. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts will be calculated by dividing the outstanding principal balance of the CDBG Land Acquisition Loan by the sum of the outstanding principal balance of the CDBG Land Acquisition Loan and the outstanding principal balances of all other Residual Receipts loans, including but not limited to the proposed Industry Residual Receipts Loan. Residual Receipts shall be calculated and reported to COMMISSION annually for each

calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by the COMMISSION. Notwithstanding any other provision of the CDBG Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the CDBG Note shall be due and payable in full on the CDBG Maturity Date.

The term of this Agreement (the "**Term**") shall be from the date of this Agreement through and including the HOME and CDBG Maturity Date; provided, however, that the use restrictions in Section 10 and the nondiscrimination covenants in Section 11 shall extend beyond the Term as provided in those sections.

2.4 Payments Due on Transfer or Refinance. In addition to the payments provided in Section 2.3 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the Loans, the "Applicable Percentage" of "Net Proceeds" of an "Assignment" and ten percent (10%) of "Net Refinancing Proceeds" received from a "Refinancing", as such terms are defined in the Notes.

### 3.0 ACCELERATION.

Notwithstanding the payment terms set forth in Section 2 above, upon the occurrence of any "Event of Default" as set forth in Section 15 below, the entire outstanding principal balances of the Notes together with any outstanding interest and other amounts payable thereunder, shall, at the election of COMMISSION and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

### 4.0 PREPAYMENT; APPLICATION OF PAYMENTS.

At any time after the disbursement of the proceeds of the HOME Loan, Borrower may prepay all or a portion of the unpaid principal amounts of the Loans and accrued interest and any other sums outstanding without penalty. Borrower hereby agrees and understands that the prepayment of the Notes shall not relieve Borrower of the duty to comply with the covenants described in Sections 9.4, 9.7, 10 and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loans principal or interest thereon) due under the Notes or this Agreement, then toward outstanding interest accrued at the "Default Rate" of ten percent (10%) per annum (simple interest), if any, then toward outstanding interest accrued at the HOME or CDBG Basic Rate, if any, and finally toward the remaining principal balance under the Notes.

### 5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the Loans and any associated interest and other amounts payable under this Agreement or the Notes shall, at all times during which any amount remains outstanding, be secured by the deeds of trust ("**Deeds of Trust**"), in the form of Exhibit "D" attached hereto, recorded against Borrower's fee interest in the Site and the Project (collectively, the "**Property**"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the Loans, the Loans are nonrecourse obligations of Borrower, and in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Loan Documents for the Loans shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deeds of Trust, and any other collateral given to COMMISSION as security for repayment of the Loans.

#### 6.0 ESCROW; CONDITIONS TO FUNDING THE HOME LOAN.

6.1 Except to the extent COMMISSION's Executive Director directs in writing that some or all of the disbursement and/or deliveries shall occur outside of Escrow, disbursement of the HOME Loan proceeds for the account of Borrower, delivery of the executed Notes to COMMISSION, and recordation of the Deed of Trust and other Loan Documents (as defined in Section 6.2(5) below) to be recorded shall be carried out through an escrow account ("**Escrow**") to be established by the Parties with a title or escrow company specifically approved in writing for this transaction by COMMISSION ("**Escrow Holder**"). Borrower shall obtain COMMISSION's approval of an Escrow Holder and open Escrow not later 90 days following execution of this Agreement. The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be shared equally by the Parties.

6.2 It is recognized that no loan proceeds are to be disbursed for the CDBG Land Acquisition Loan. The obligation of COMMISSION to make disbursements of the HOME Loan proceeds under this Agreement shall be expressly subject to satisfaction of all of the following conditions (collectively, the "**Closing Conditions**") on or before the date ("**Closing Deadline**") which is one year following the date of this Agreement:

- (1) Execution of this Agreement by COMMISSION and Borrower and delivery of a fully-executed copy to Escrow Holder;
- (2) Execution of the Grant Deed by COMMISSION and delivery of a fully-executed copy to Escrow Holder;
- (3) Borrower's due execution and deposit into Escrow of certified copies of both the HOME Note and the CDBG Land Acquisition Note;
- (4) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the covenants, conditions and restrictions ("**CC&Rs**") in the form attached hereto as Exhibit "E";
- (5) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of both the HOME Deed of Trust and the CDBG Deed of Trust;
- (6) Receipt by COMMISSION from Borrower of such other documents, certifications and authorizations as are reasonably required by COMMISSION, in form and substance satisfactory to COMMISSION, evidencing that (i) this Agreement, the Notes, the Deeds of Trust, the CC&Rs and all other documents given or executed in connection herewith (this Agreement, the Notes, the Deeds of Trust and the CC&Rs are

collectively known as the "**Loan Documents**") are duly and validly executed by Borrower and constitute the valid and enforceable obligation of Borrower pursuant to their respective terms, and (ii) execution and delivery of the Loan Documents, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation nor constitute a default under any instrument or agreement to which Borrower is a party;

- (7) United Title, First American Title, North American Title, Chicago Title, Stewart Title or another title insurer approved by COMMISSION ("**Title Company**") shall have assured COMMISSION in writing that upon recordation of the Deed of Trust there will be provided to COMMISSION, at Borrower's sole expense, a lender's policy of title insurance (with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and such other endorsements as COMMISSION shall reasonably require) issued by the Title Company in the amount of the Loans, insuring COMMISSION's interest in the Property as beneficiary under the Deed of Trust, and specifically insuring that the Property is free from stop notices or mechanics liens, and that the lien of the Deed of Trust and the CC&R's against the Property are subject only to the Senior Financing and any exceptions to title applicable to the Property which were expressly approved in writing by COMMISSION (collectively with the Senior Financing, "**Permitted Senior Encumbrances**"). Standard lender's title insurance coverage (without the need for a survey) will be accepted by COMMISSION unless another Project lender requires extended coverage, in which case an ALTA extended coverage policy will also be provided to COMMISSION;
- (8) Borrower shall have furnished COMMISSION and obtained COMMISSION's approval of all soils, geologic reports and other development related reports existing with respect to the Site. Borrower hereby acknowledges that COMMISSION's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of COMMISSION, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter.
- (9) Borrower shall have provided to COMMISSION, in form satisfactory to COMMISSION, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws has not been amended or modified except as described in the certification, (ii) a good standing certificate or comparable certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing in California, and (iii) all other documents necessary to evidence to COMMISSION's satisfaction that the individuals and entities executing this Agreement and the other Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower, to the terms hereof and thereof;
- (10) The obligation of COMMISSION to make disbursements of HOME Loan proceeds for construction and/or certain offsite infrastructure financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (9) above:
- (11) Borrower shall have commenced or be ready to commence Project construction, and

shall have furnished COMMISSION with copies of (A) a contract for the Project development ("**Construction Contract**") entered into with a general contractor ("**General Contractor**") previously approved in writing by COMMISSION; (B) a payment bond with respect to the Project posted by the General Contractor which is in an amount not less than fifty percent (50%) of the amount of the contract price identified in the Construction Contract, is issued by a surety reasonably acceptable to COMMISSION, is in form and content reasonably approved by COMMISSION, has been recorded in the Official Records of Los Angeles, and names COMMISSION as an additional obligee; (C) a performance bond guaranteeing the completion of the Project development which is in form and content reasonably approved by COMMISSION, is issued by a surety reasonably acceptable to COMMISSION, and names COMMISSION as an additional obligee; and (D) any other plans, documents and approvals required by COMMISSION.

- (12) Borrower shall have furnished COMMISSION with evidence satisfactory to COMMISSION evidencing the coverages required by Section 9.8 below.

The obligation of COMMISSION to convert the Loan proceeds for predevelopment and construction financing to permanent financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (12) above and Section 8 of this Agreement.

- (13) Borrower shall have provided COMMISSION, not later than 90 days prior to occupancy, with affirmative action and minority and women business enterprise plans in form satisfactory to COMMISSION.
- (14) Borrower shall have furnished COMMISSION no later than 180 days prior to occupancy of the Project and obtained COMMISSION's approval of an operating budget and management plan for the Project. The Management Plan shall include a preliminary Operating Budget, in a format mandated by COMMISSION, and approved by COMMISSION at its sole discretion. In the event the preliminary Operating Budget is proposed for revision, any such revision must be submitted to COMMISSION no later than 90 days prior to occupancy of the Project and shall be approved by COMMISSION at its sole discretion.
- (15) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to the Senior Financing, Other Financing, or Junior Financing;
- (16) Borrower shall have furnished COMMISSION with a certification from the holders of any of the Senior Financing, Other Financing, or Junior Financing certifying that such holders consent to the Loan and that Borrower is not in default under any loan comprised within the Senior Financing, Other Financing, or Junior Financing.
- (17) Borrower shall have furnished COMMISSION with evidence satisfactory to COMMISSION evidencing that the Borrower has achieved "Completion of the Project" as required by Section 8 below.

Not as a Closing Condition, but prior to the commencement of tenant selection for the Project, Borrower shall have obtained COMMISSION's written approval of an affirmative marketing plan, leasing guidelines, and a summary of the rules, procedures and programs for the Project including specifically the procedures to be employed by which the tenants of the "Assisted Units" (as

defined in Section 10.1 below) in the Project shall be selected in the event that, at any given time, the number of Eligible Households applying to lease units at the Project exceeds the number of units available.

6.3 When, and only when, Escrow Holder has confirmed that Closing Conditions (1), (2), (3), (4), (6) and (7) of Section 6.2 above have been satisfied, and has received written certification from COMMISSION's Executive Director that all other Closing Conditions (1) – (10) have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("**Close of Escrow**") by:

(i) causing the HOME Deed of Trust, the CDBG Deed of Trust, the Grant Deed, the CC&Rs and the executed Subordination Agreements (if any) to be recorded in the Official Records of Los Angeles County, California;

(ii) delivering the executed original Notes to COMMISSION;

(iii) causing the Title Policy to be issued to COMMISSION in the form and amount specified above;

(iv) promptly following recordation, delivering conformed copies of the recorded documents to COMMISSION and Borrower.

6.4 Subsequent disbursements of HOME Loan proceeds for construction and permanent financing shall be made by COMMISSION upon satisfaction of applicable Closing Conditions 11 through 14 and 15 through 17 as provided in Section 6.2 above. Subsequent disbursements shall not occur prior to satisfaction of all conditions precedent to the closings for the Senior Financing and the Junior Financing. Notwithstanding any other provision, Escrow Holder shall disburse proceeds of the HOME Loan prior to the closings for the Senior Financing and the Junior Financing only if expressly directed by written instructions from COMMISSION.

6.5 Time is of the essence with respect to the rights and obligations of the Parties under this Agreement and if the Close of Escrow does not occur prior to the Closing Deadline, then the Escrow shall terminate, and Escrow Holder shall promptly return all funds and documents to the Party depositing them.

## 7.0 SUPPORTIVE SERVICES

As an additional condition to obtaining the Loans, Borrower shall execute and deliver to COMMISSION on or before the funding of the Loans, a Supportive Services Agreement that identifies services as referenced in the approved HOME Fund Application and its amendments, as set forth in the form attached hereto as Exhibit "I". Borrower shall demonstrate to COMMISSION's reasonable satisfaction the availability of resources and its commitment to provide funding for supportive services in an annual amount equal to or greater than as represented in Borrower's approved HOME Fund Application.

As more particularly provided therein, Exhibit "I" sets forth Borrower's obligation to provide supportive services for residents of the Project. Failure to comply with the terms of Exhibit "I" prior to expiration of any applicable notice and cure period will be deemed to be a default under this Agreement.

8.0 PURPOSE OF HOME LOAN – PREDEVELOPMENT EXPENSES; CONSTRUCTION; AND PERMANENT FINANCING..

The HOME Loan proceeds shall be used by Borrower only to provide financing for predevelopment, construction financing and permanent financing in connection with the Project. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement.

8.1 The HOME Loan proceeds shall be used by Borrower only to pay eligible predevelopment costs, and construction costs for the Project as represented in the approved HOME Fund application, and as further described in the Development Proforma (the "Development Proforma") in the form of Exhibit "M". The CDBG Land Acquisition Loan is of the sale of the Site to the Developer. In no event shall Borrower use or otherwise invest the proceeds of the HOME Loan except as expressly provided in this Agreement.

8.2 To the extent otherwise permitted under this Agreement, Borrower (or an affiliate of Borrower previously approved by the Commission) may receive, from the HOME Loan proceeds or other development funds available to Borrower, including equity, a fee ("Developer Fee") not to exceed \$180,000 in connection with development of the Project; provided, however, that the Developer Fee shall not be received earlier than on the following schedule: (i) 25% upon the Close of Escrow for all Project Construction Financing Sources; (ii) 25% at 50% of construction completion; (iii) 25% upon 90% occupancy of the Project; and, (iv) 25% upon completion of the project.

8.3 The HOME Loan shall be considered Permanent Financing at such time as the Project is completed in accordance with this Agreement. The Project shall be "completed," which shall be deemed to have occurred when COMMISSION has received satisfactory evidence that the Project has been completed in compliance with the plans and specifications (collectively, "Plans") referenced in the construction contract ("Construction Contract") which Borrower has entered into with a general contractor ("General Contractor") with respect to the Project, and that all final permits and certificates necessary to the operation of the Project as contemplated herein, and releases, waivers and other instruments evidencing no claims, stop notices or mechanics liens existing with respect to the Project, have been obtained, including, without limitation, the following, each of which is subject to Commission's review and approval:

(a) A signed certificate from the General Contractor, in a form reasonably acceptable to COMMISSION, certifying to COMMISSION that construction was completed substantially in accordance with the requirements of the Construction Contract, the Plans and this Agreement, and all other related on-site and off-site improvements have been completed;

(b) A certificate of occupancy (the "Certificate of Occupancy") and/or any other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies;

(c) Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute, have been received from the General Contractor, all subcontractors, and all other persons or entities providing services or furnishing materials in connection with the Project.



8.4 Borrower shall have furnished COMMISSION and obtained COMMISSION's approval of the compliance with the environmental mitigation measures specified in the "Special Environmental Conditions" referenced in Exhibit "N". Borrower hereby acknowledges that COMMISSION's review and approval of such compliance with environmental mitigation measures under this Agreement is solely for the benefit of COMMISSION, and should not be relied upon as any measurements or warranty of the correctness, adequacy or appropriateness of such matter.

## 9.0 COVENANTS OF BORROWER.

As additional consideration for the making of the Loans by COMMISSION, Borrower covenants as follows:

9.1 Compliance with Laws. Borrower shall comply with all Applicable Governmental Restrictions. As used herein, "**Applicable Governmental Restrictions**" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; the laws specified in Article 12 below, fair housing laws, prevailing wage laws (e.g. Cal. Labor Code 1720 et seq. and the federal Davis-Bacon Act (40 U.S.C. 276a), and any other applicable federal, state and local laws. Borrower shall indemnify, defend and hold COMMISSION harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract. Borrower is solely responsible for determining the applicability of laws, and should not rely on statements by COMMISSION.

9.2 Revenue Disclosures. Borrower shall make available for inspection and audit to COMMISSION's representatives, upon seventy-two (72) hours' written request, from time to time during the Term, at Borrower's offices, or, if requested by COMMISSION, at another location within Los Angeles County, all of the books and records relating to the operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the end of the Term; provided that in the event any litigation, claim or audit is started before the expiration of the Term, said books and records shall be retained until all litigation, claims, or audit findings involving said books and records shall have been resolved.

9.3 Other Reports. Upon seventy-two (72) hours' written notice, from time to time during the Term, Borrower shall prepare and submit to COMMISSION, any financial, program progress, monitoring, evaluation or other reports (including, but not limited to, documents related to construction and project financing) reasonably required by COMMISSION or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to COMMISSION within such seventy-two- (72-) hour period, then within a reasonable time thereafter. Borrower shall ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of COMMISSION representatives, may be relevant to a question of compliance with this Agreement, the CC&Rs or the Deed of Trust. Borrower shall retain all existing records and data relating to the Project until expiration of the Term. In the event any litigation, claims or audit is started during the

Term, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

9.4 Indemnification. From and after the date hereof, Borrower shall indemnify, defend and save harmless COMMISSION and COMMISSION's board members, directors, agents, officers and employees from and against any and all claims, liability, demands, causes of action, losses and expense, including reasonable defense costs and legal fees of counsel acceptable to COMMISSION (collectively, "**Claims**"), including, but not limited to Claims for bodily injury, death, property damage, workers' compensation, or in connection with services performed on behalf of Borrower by any person pursuant to this Agreement, and which Claims (i) are based on events which occur or are claimed to have occurred during Borrower's ownership of the Site or the Project, (ii) result directly or indirectly from Borrower's ownership of the Site or the Project, or (iii) result directly or indirectly from COMMISSION's entering into this Agreement and/or making the Loans to Borrower; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of COMMISSION.

9.5 Audit by State and Federal Agencies. In the event this Agreement or the Loans are subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Borrower shall comply with such inspections and pay on behalf of itself and COMMISSION the full amount of the cost to the inspecting agency which result from such inspections, if any, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of COMMISSION.

9.6 Program Evaluation and Review. Borrower shall allow COMMISSION authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interviewing of Borrower's staff, tenants, and other program participants, as reasonably required by COMMISSION during the Term.

9.7 Hazardous Materials. Borrower represents and warrants that it has not deposited "Hazardous Materials" (as defined below) in, on or upon the Site and Borrower covenants that it shall not deposit or permit the deposit of Hazardous Materials in, on or upon the Site or the Project. Borrower further covenants to remove or remediate, at its expense (subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Site or the Project as of the date hereof or which are deposited in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in accordance with the requirements of all Applicable Governmental Restrictions, including, without limitation, all applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary to the normal course of business in the operation of a well-designed housing facility and so long as such materials are used, stored and disposed of in accordance with all Applicable Governmental Restrictions. Except with respect to any claims solely caused by COMMISSION, Borrower shall indemnify, defend and hold COMMISSION and its members, directors, agents, officers and employees harmless from and against any Claims arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including without limitation any Claims arising out of any deposits of Hazardous Materials described in (i) and (ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Site and the Project, as required above. Except with respect to any claims solely caused by COMMISSION, Borrower hereby releases and forever

discharges COMMISSION and its agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

For purposes of this Agreement, the term "**Hazardous Materials**" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 9601 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

In the event that archeological resources are exposed during Project construction, all earth disturbing work within the Site must be temporarily suspended or redirected until a professional archaeologist has evaluated the nature and significance of the find. After the find has been appropriately mitigated, work in the area may resume.

9.8 Insurance. Without limiting Borrower's indemnifications of COMMISSION provided in this Agreement, Borrower shall procure and maintain at its own expense during the Term the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, concurrent with the execution of this Agreement, deliver to COMMISSION certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. Borrower shall deliver satisfactory evidence of issuance of "all risk" property insurance described in (2) below and workers' compensation insurance described in (3) below at such time that such exposures are at risk, but in no event later than the Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. COMMISSION reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to COMMISSION and may provide for such deductibles as may be acceptable to COMMISSION. In the event such insurance does provide for deductibles or self-insurance,

Borrower agrees that it will protect COMMISSION, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that COMMISSION is to be given at least thirty (30) days' written notice in advance of any modification or cancellation of any policy of insurance. Borrower shall give COMMISSION immediate notice of any insurance claim or loss which may be covered by insurance.

(1) Liability: Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate), including products and completed operations coverage. COMMISSION and its agents, officials and employees shall be named as additional insureds in each of the aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Borrower, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to COMMISSION. If required by COMMISSION from time to time, Borrower shall increase the limits of Borrower's liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of COMMISSION.

(2) Property Insurance: "All Risk" ISO Special Form property insurance. Coverage shall include protection for earthquake and flood if this protection is available from responsible carriers at reasonable cost. COMMISSION shall be the loss payee under the aforementioned policy(ies) under a standard lender's loss payable endorsement. The amount of the property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property and the insurer shall waive any coinsurance via an "agreement" endorsement.

(3) Workers' Compensation: Borrower's, employees, if any, of property management assigned to the Project, the general contractor constructing the Project and any affiliates or agents of Borrower shall be covered by Workers' Compensation insurance in an amount and in such form as to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of One Million Dollars (\$1,000,000) per accident.

(4) Automobile Liability: Combined single limit automobile liability insurance of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

No modification or waiver of the insurance requirements set forth herein shall be made without the prior written approval of the Executive Director of COMMISSION.

Failure on the part of Borrower to procure or maintain the insurance coverage required in this Section 9.8 shall constitute a material breach of this Agreement pursuant to which COMMISSION may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole discretion, and without waiving such default or limiting the rights or remedies of COMMISSION, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by COMMISSION shall be repaid by the Borrower to COMMISSION upon demand including interest thereon at the Default Rate. COMMISSION shall have the right, at its election, to participate in and control any insurance claim adjustment or dispute with the insurance carrier. Borrower's failure to assert or delay in asserting any claim shall not diminish or impair COMMISSION'S rights against the Borrower or the insurance carrier.

9.9 Financial Statements; Tax Returns. Borrower shall deliver to COMMISSION within one hundred twenty (120) days after the end of each fiscal year of Borrower occurring during the Term, a copy of Borrower's federal tax return and a financial statement for such preceding fiscal year. In addition, concurrent with Borrower's payment of the annual Residual Receipts installment payable to COMMISSION on each March 15th in accordance with Section 2.3 above, Borrower shall deliver to COMMISSION, on forms prepared and provided by COMMISSION from time to time, a statement certified by Borrower's accountant (the "**Annual Statement**"), separately setting forth (i) the aggregate Gross Rents (as defined in the Note) received during the previous calendar year, and (ii) the aggregate Operating Expenses (as defined in the Note) expended during the previous calendar year.

9.10 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project, including but not limited to the Senior Financing, the Junior Financing and the Other Financing. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any reasonable cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan.

9.11 Relocation Requirements. If applicable, Borrower shall be responsible for assuring compliance with all relocation requirements as governed by state relocation laws and regulations for projects funded in whole or in part with Industry Funds, including the California Relocation Assistance Law (California Government Code Section 7260 et seq.), Section 33410 et seq. of the California Health and Safety Code, the State Department of Housing and Community Development's implementing regulations known as the California Relocation Assistance and Property acquisition Guidelines (Title 25, California Code of Regulations, Section 6000 et seq. and the Los Angeles County Community Development Commission's Relocation Policies and Procedures Manual. In circumstances where both federal and state funds are contributed to a program or Project, it is the policy of the COMMISSION to follow the requirements that provide the displaced person or household with the greatest benefit. For example, if in a mixed-funded project, the assistance or benefit under state law is more favorable to the displaced person or household, then the state law applies, and if the opposite is the case, then applicable federal laws and regulations (e.g., Section 4601 et seq. of Title 42 of the United States Code) shall apply. Any relocation assistance shall be provided through and in the manner directed by COMMISSION, provided, however, that Borrower shall indemnify, defend and hold harmless COMMISSION, the Housing Authority of the County of Los Angeles ("**HACOLA**"), and the County of Los Angeles ("**County**") for relocation payments, consulting fees and expenses incurred in connection with the Project. At COMMISSION's election in COMMISSION's sole discretion, COMMISSION may hire a relocation consultant to coordinate the relocation. The fees and costs of the consultant shall be paid or reimbursed by Borrower.

9.12 Construction Requirements. Following the Close of Escrow, Borrower shall cause the Project construction work to commence promptly, proceed diligently, and achieve "Completion of the Project" no later than [18] months following the Close of Escrow, subject to extension for up to an additional 12 months to the extent of force majeure delays beyond Borrower's reasonable control. "Completion of the Project" shall be deemed to have occurred when COMMISSION has received satisfactory evidence that the Project has been completed in compliance with this Agreement and as represented in Borrower's approved funding application to COMMISSION, and that all final permits and certificates necessary to the operation of the Project as contemplated

herein have been obtained, including, without limitation, the following, each of which is subject to COMMISSION's review and approval: (1) a signed certificate from the general contractor, in a form reasonably acceptable to COMMISSION, certifying to COMMISSION that construction was completed substantially in accordance with the requirements of the plans and this Agreement, and all other related on-site and off-site improvements have been completed; (2) a certificate of occupancy and other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies; and (3) evidence satisfactory to COMMISSION that the statutory period for the filing of mechanics' liens (60 days following filing of the statutory notice of completion) has expired or the lien filing period for subcontractors has expired and the general contractor has executed an unconditional lien waiver and the Property is free from such liens. Construction shall proceed in accordance with Exhibit "L", Construction Requirements, and shall conform to the layout and design represented in Borrower's approved application for the Industry Fund Program. Borrower shall comply with any CEQA mitigation measures or other environmental conditions imposed by COMMISSION or any other applicable governmental authority in connection with the Project.

#### 10.0 USE OF PROPERTY; LEASING AND MANAGEMENT.

10.1 Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenants shall run with the land and bind every successor and assign in interest of Borrower, that, throughout the 55-year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project as a residential development with the number of dwelling units and, with respect to the designated units to be assisted as consideration for the Loan ("**HOME-Assisted Units**"), the tenant income levels, to be as specified in the Transaction Summary above and in the CC&Rs. All HOME-Assisted Units shall be rented only at an "Affordable Housing Cost" to "Very Low-Income Households," "Forty-Five Percent Income Households," "Forty Percent Income Households," and "Thirty-Five Percent Income Households" as specified in the Transaction Summary above, in the CC&Rs and hereinafter defined (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). HOME-Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, which are not Assisted Units. Subject to the reasonable approval of COMMISSION's Executive Director (or his designee) the location of the HOME-Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 10.1 shall remain in effect throughout the 55-year term of the CC&Rs, notwithstanding the earlier repayment of the Loan by Borrower.

"**Very Low-Income Households**" shall mean persons and families whose gross annual household incomes do not exceed fifty (50%) of Area Median Income, adjusted for family size, as defined by the United States Department of Housing and Urban Development (HUD).

"**Forty-Five Percent Income Households**" shall mean persons and families whose gross annual household incomes do not exceed forty-five percent (45%) of Area Median Income, adjusted for family size, as defined by HUD.

"**Forty Percent Income Households**" shall mean persons and families whose gross annual household incomes do not exceed forty percent (40%) of Area Median Income, adjusted for family size, as defined by HUD.

"**Thirty-Five Percent Income Households**" shall mean persons and families whose gross annual household incomes do not exceed thirty-five percent (35%) of Area Median Income, adjusted

for family size, as defined by HUD.

**"Affordable Housing Cost"** shall mean, as to each Eligible Household, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for an Eligible Household within a Very Low-Income Household, the lesser of the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(ii) for an Eligible Household within a Forty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times forty-five percent (45%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD;

(iii) for an Eligible Household within a Forty Percent Income Household, the lesser of the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(iv) for an Eligible Household within a Thirty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD.

**"Area Median Income"** shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size, as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such "Area Median Income."

**10.2 Tenant Selection Process; Reports and Records Concerning Tenancies.** Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by COMMISSION to monitor compliance with the tenancing requirements described in Section 10.1 above, including without limitation the requirement that Borrower deliver reports to COMMISSION commencing at the close of the first full calendar year following the date of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Borrower shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by COMMISSION to certify such tenant's qualification for occupancy of the Project. Borrower's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

**10.3 Management of Project.** Subject to the terms and conditions contained hereinbelow, Borrower shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("**Manager**") with respect to the operation of the Project including day-to-day administration, maintenance and repair. Borrower shall, before execution or any subsequent amendment or replacement thereof, submit and obtain COMMISSION's reasonable written approval, which shall not be unreasonably withheld, conditioned

or delayed, of a management contract ("**Management Contract**") entered into between Borrower and an entity ("**Management Entity**") reasonably acceptable to COMMISSION. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of COMMISSION. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Borrower and COMMISSION. Borrower shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding sixty (60) days from Management Entity's receipt of notice of the failure from Borrower or COMMISSION. Borrower's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

**10.4 Operations and Maintenance.** Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Borrower, that Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the CC&Rs and the Deed of Trust.

Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Borrower, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any Applicable Governmental Restrictions or the restrictions contained in this Agreement or the Deed of Trust. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Site or the Project, or any portion thereof.

Borrower shall, at its expense, (i) maintain all improvements and landscaping on the Site in good working order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project (which must be approved by COMMISSION before being incorporated into the Construction Contract) (such approved plans, the "Plans") and all Applicable Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with Applicable Governmental Restrictions so as to maintain a safe and attractive living environment for Project residents while maximizing Residual Receipts to the extent reasonably possible consistent with applicable rent and tenant requirements (including all recorded rent restrictions affecting the Project) and without compromising the safety and attractiveness of the living environment of the Project.

#### **11.0 BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION.**

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Borrower itself or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.



#### 11.1 Form of Nondiscrimination and Nonsegregation Clauses.

Borrower shall refrain from restricting the rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased.

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

#### 12.0 COMMISSION PROVISIONS.

Borrower shall comply with the provisions set forth on Exhibit "J" to this Agreement.

#### 13.0 INDEPENDENT CONTRACTOR.

In their performance of this Agreement, all parties hereto will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the agents or employees of the other party for any purpose whatsoever, including workers' compensation liability. Borrower shall bear the sole responsibility and liability for furnishing or causing the General Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Borrower pursuant to this Agreement.

#### 14.0 ASSIGNMENT OF THIS AGREEMENT.

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of COMMISSION (or COMMISSION's Executive Director), which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this Agreement, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit-worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's obligations under this Agreement and the Notes and all of the other Loan Documents.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of COMMISSION as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Site, or (ii) a sale or transfer of more than forty-nine percent (49%) of its present ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the Project, occurring without the written consent of COMMISSION, COMMISSION may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state and/or federal low income housing tax credits, COMMISSION hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partner's interests; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to either of its general partners; and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that any replacement general partner is approved by COMMISSION, which approval shall not be unreasonably withheld.

#### 15.0 EVENTS OF DEFAULT AND REMEDIES.

A. Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("**Event of Default**"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Notes or the Deeds of Trust, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loans at the Maturity Date of the Notes;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the terms of the Notes or the Deeds of Trust, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action

required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a thirty- (30-) day period, it shall be deemed cured if Borrower commences the cure within said thirty- (30-) day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described cure periods shall not apply to any Event of Default described in Sections 15(A)(3) through 15(A)(8) below;

(3) The material falsity of any representation or warranty made by Borrower under the terms of this Agreement, the Notes, or the Deeds of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner, or majority shareholder, of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Agreement for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer (as defined below) in violation of Section 14 above or Section 30 below; or

(8) Borrower shall be in default under the CC&Rs, the Senior Financing, the Junior Financing, the Other Financing, the Supportive Services Agreement (if applicable under Section 7 above) or any other secured or unsecured obligation relating to the Project unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

B. COMMISSION Remedies. Upon the occurrence of an Event of Default hereunder, COMMISSION may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loans immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower.

Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loans shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 5 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COMMISSION, to collect the amounts then due and thereafter to become due hereunder and under the Notes, to exercise its rights under the Deeds of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or the Notes, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(4) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15(A)(4) or 15(A)(5) hereof, COMMISSION shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loans and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to COMMISSION is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

D. COMMISSION Default and Borrower Remedies. Upon fault or failure of COMMISSION to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this Agreement or seeking to enjoin any act by

COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COMMISSION arising out of or in connection with this Agreement, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

16.0 Reserved.

17.0 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Agreement or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Agreement or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this Agreement, the Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

18.0 RIGHT OF ACCESS AND INSPECTION.

COMMISSION shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If COMMISSION in its reasonable discretion determines that any work or materials are not in conformity with this Agreement or any Applicable Governmental Restrictions, or the Project is not being operated in conformity with this Agreement or any Applicable Governmental Restrictions, COMMISSION may at its election, after notice to and consultation with the Borrower and affording the Borrower thirty (30) days after such notice to cure the matter (or without notice in the case of an emergency) and the Borrower fails to cure the matter, itself cure the matter. In addition, during the course of construction, COMMISSION may immediately stop the work and order replacement or correction of any work or materials not in conformity with this Agreement or any Applicable Governmental Restrictions. Inspection by COMMISSION of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by COMMISSION or the County of Los Angeles that there has been compliance with any terms or provisions of this Agreement, or that the work will be free of faulty materials or workmanship.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY.

No official or employee of COMMISSION shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of COMMISSION participate in any decision relating to this Agreement which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of COMMISSION shall be personally liable in the event of a breach of this Agreement by COMMISSION.

20.0 AMENDMENTS, CHANGES AND MODIFICATIONS.

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

21.0 EXECUTION OF COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

22.0 NOTICES.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and addressed or faxed as follows:

If to COMMISSION: Community Development Commission of the County of Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Executive Director  
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the County of Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Director of Housing Development and Preservation  
Fax No. (323) 890-8576

If to Borrower: Beyond Shelter Partnership Housing Development Corporation  
520 S. Virgil, Suite 402  
Los Angeles, CA 90020  
Attn: Executive Director  
Fax No. (213) 251-2113

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; or (iii) one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any

change(s) of address or fax to which notice shall be sent pursuant to this Agreement.

#### 23.0 SEVERABILITY.

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

#### 24.0 INTERPRETATION.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable legal limit. Attached hereto for the convenience of the Parties as Exhibit "A" is a directory indicating the location of definitions for certain defined terms used in this Agreement.

#### 25.0 NO WAIVER; CONSENTS.

Any waiver by COMMISSION must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by COMMISSION to take action on account of any default of Borrower. Consent by COMMISSION to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for COMMISSION's consent to be obtained in any future or other instance.

#### 26.0 GOVERNING LAW.

This Agreement shall be governed by the laws of the State of California.

#### 27.0 REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER.

Borrower hereby represents, warrants and covenants to COMMISSION that:

A. Organization and Standing. Borrower is a legal entity as described in the Transaction Summary above, duly formed, qualified to operate in California and validly existing and in good standing in the State of California, and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Agreement, the Note, the Deed of Trust, the CC&Rs, and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, or articles and bylaws governing Borrower, and have

been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution. This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to COMMISSION) which could impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could impair Borrower's ability to perform its obligations under this Agreement.

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 15.

H. No Violations. The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

I. No Affiliation with Lenders. Borrower is not under common ownership or is otherwise affiliated with any lender extending any Project Loan (as defined in the Note).

## 28.0 APPROVALS.

Any consent to a transfer under Section 14 or 30 of this Agreement, and any other consent or approval by COMMISSION under this Agreement or any of the Loan Documents, may be given by COMMISSION's Executive Director without action of COMMISSION'S governing board unless the Executive Director in his or her sole discretion elects to refer the matter to COMMISSION's governing board.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this Agreement shall be solely for the benefit of COMMISSION, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not COMMISSION shall be solely responsible for assuring compliance with laws, and the operation of the project.



## 29.0 GOOD FAITH AND FAIR DEALING.

COMMISSION and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

## 30.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT.

30.1 Without the prior written approval of COMMISSION (or COMMISSION's Executive Director), which approval COMMISSION may withhold in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, "**Transfer**") all or any portion of its interest in the Site or the Project (excluding tenant leases pursuant to the terms hereof); (ii) permit the Transfer of greater than forty-nine percent (49%) of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, COMMISSION hereby consents to the events described in the third paragraph of Section 14.0 hereof without Borrower obtaining any further consent from COMMISSION. Borrower hereby agrees that any purported Transfer not approved by COMMISSION as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement.

30.2 At any time Borrower desires to effect a Transfer hereunder, Borrower shall notify COMMISSION in writing (the "**Transfer Notice**") and shall submit to COMMISSION for its prior written approval (i) all proposed agreements and documents (collectively, the "**Transfer Documents**") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower and the proposed transferee to COMMISSION sufficient to establish and ensure that all requirements of this Section 30 have been and will be met. No Transfer Documents shall be approved by COMMISSION unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the Loan Documents. The Transfer Notice shall include a request that COMMISSION consent to the proposed Transfer. COMMISSION agrees to make its decision on Borrower's request for consent to such Transfer promptly, and use reasonable efforts to respond not later than thirty (30) days after COMMISSION receives the last of the items required by this Section 30. In the event COMMISSION consents to a proposed Transfer, then such Transfer shall not be effective unless and until COMMISSION receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to COMMISSION. From and after the effective date of any such Transfer, Borrower shall be released from its obligations under the Loan Documents accruing subsequent to such effective date.

30.3 Notwithstanding anything in this Agreement to the contrary, Borrower agrees that it shall not be permitted to make any Transfer, whether or not COMMISSION's consent is required therefor and even if COMMISSION has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to COMMISSION or at any time thereafter until such Event of Default has been cured.

30.4 The provisions of this Section 30 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

31.0 HOME PROGRAM AND FEDERAL REQUIREMENTS

In addition to any other obligations of the Borrower to this Agreement, the Borrower agrees to comply with all of the HOME Program Requirements, a summary of which is included in Exhibit "K", attached hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

**COMMUNITY DEVELOPMENT COMMISSION OF  
THE COUNTY OF LOS ANGELES**

By: \_\_\_\_\_  
Carlos Jackson, Executive Director

APPROVED AS TO FORM:

Office of County Counsel

By: \_\_\_\_\_  
Deputy

**BORROWER:**

BY: BEYOND SHELTER PARTNERSHIP HOUSING  
DEVELOPMENT CORPORATION,  
a California non-profit public benefit corporation,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## TABLE OF EXHIBITS

EXHIBIT "A"	DIRECTORY OF DEFINED TERMS
EXHIBIT "B"	SITE LEGAL DESCRIPTION
EXHIBIT "C"	PROMISSORY NOTE
	C-1 HOME PROMISSORY NOTE
	C-2 CDBG PROMISSORY NOTE
EXHIBIT "D"	DEED OF TRUST
	D-1 HOME DEED OF TRUST
	D-2 CDBG DEED OF TRUST
EXHIBIT "E"	CC&RS
EXHIBIT "F"	GRANT DEED
EXHIBIT "G"	PROJECT DESCRIPTION
EXHIBIT "H"	INTENTIONALLY OMITTED
EXHIBIT "I"	SUPPORTIVE SERVICES AGREEMENT
EXHIBIT "J"	COMMISSION REQUIREMENTS
EXHIBIT "K"	HOME PROVISIONS
EXHIBIT "L"	INTENTIONALLY OMITTED
EXHIBIT "M"	DEVELOPMENT PROFORMA
EXHIBIT "N"	SPECIAL ENVIRONMENTAL CONDITIONS

## EXHIBIT "A" TO LOAN AGREEMENT

### DIRECTORY OF DEFINED TERMS

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Affordable Housing Cost (Section 10.1)  
Agreement (Preamble)  
Annual Statement (Section 9.9)  
Applicable Governmental Restrictions (Section 9.1)  
Applicable Percentage (Section 2.4)  
Area Medium Income (Section 10.1)  
Assignment (Section 2.4)  
Assisted Units (Section 10.1)  
Basic Rate (Section 2.2)  
Borrower (Preamble)  
CC&Rs (Section 6.2(3))  
CDC (Section 9.11)  
Certificate of Occupancy (Section 6.2(14))  
Claims (Section 9.4)  
Close of Escrow (Section 6.3)  
Closing Conditions (Section 6.2)  
Closing Deadline (Section 6.2)  
Completion of the Project (Section 9.12)  
Construction Contract (Section 6.2(11))  
County (Section 9.11)  
Deed of Trust (Section 5)  
Default Rate (Section 2.2)  
Eligible Households (Section 10.1)  
Escrow (Section 6.1)  
Escrow Holder (Section 6.1)  
Event of Default (Section 15A)  
General Contractor (Section 6.2(9))  
Gross Rents (Section 9.9)  
COMMISSION (Preamble)  
Hazardous Materials (Section 9.7)  
Industry Funds (Recital A)  
Junior Financing (Recital B)  
Loan (Recital A)

Loan Documents (Section 6.2(5))  
Management Contract (Section 10.3)  
Management Entity (Section 10.3)  
Manager (Section 10.3)  
Maturity Date (Section 2.3)  
Net Proceeds (Section 2.4)  
Net Refinancing Proceeds (Section 2.4)  
Note (Section 2.1)  
Operating Expenses (Section 9.9)  
Other Financing (Recital B)  
Parties (Preamble)  
Party (Preamble)  
Permitted Senior Encumbrances (Section 6.2(6))  
Plans (Section 10.4)  
Project (Recital A)  
Property (Section 5)  
Refinancing (Section 2.4)  
Residual Receipts (Section 2.3)  
Senior Financing (Recital B)  
Site (Recital A)  
Subordination Agreement (Section 6.2(7))  
Term (Section 9.2)  
Title Company (Section 6.2(6))  
Transfer (Section 30.1)  
Transfer Documents (Section 30.2)  
Transfer Notice (Section 30.2)  
Very Low Income Households (Section 10.1)  
Very Very Low Income Households (Section 10.1)

**EXHIBIT "B" TO LOAN AGREEMENT**

**LEGAL DESCRIPTION OF THE SITE**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

LOT 138 OF WILLOWBROOK IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES,  
STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6, PAGE 38 OF MAPS, IN THE  
OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 6152-003-004

**EXHIBIT "C" TO LOAN AGREEMENT**

**PROMISSORY NOTES**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

(Please See Attached)

EXHIBIT "C-1" TO LOAN AGREEMENT

**PROMISSORY NOTE**  
(HOME - PROJECT NO. \_\_\_\_\_)

\$1,513,180

\_\_\_\_\_, 200\_\_

For value received, the undersigned, BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION, a California Nonprofit Corporation, ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as the Commission may from time to time designate in writing), the principal sum of **One Million Five Hundred Thirteen Thousand One Hundred Eighty Dollars (\$1,513,180)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan and Development Agreement dated as of \_\_\_\_\_, 200\_\_, entered into between Borrower and the Commission (the "Loan Agreement"), and the terms and conditions of this Promissory Note (this "Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with predevelopment, construction and permanent financing in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest. Except as provided in Section 1.4 below, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts. Except as otherwise provided in this Note, Borrower shall repay the Loan, together with accrued interest at the Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 200\_\_. Absent prepayment or acceleration, each of the annual payments due March 15, 200\_\_ through and including March 15, 20\_\_ ("Maturity Date") shall be in an amount equal to fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined herein. Residual Receipts shall be calculated and reported to the Commission annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by the Commission from time to time. All calculations and records are subject to audit by the Commission. Notwithstanding any other provision of this Note, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date.

1.3 Calculation of Residual Receipts. Borrower shall provide to the Commission for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by the Commission for the purpose of verifying

Borrower's calculation of Residual Receipts, and shall promptly pay to the Commission any further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which "Gross Rents," as defined herein, for such calendar year exceed the "Operating Expenses", as defined herein, for that calendar year.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders; (cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below; and (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project.



1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) nonelective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year; (iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, however, that (A) the amount included as property management fees and administrative fees in Operating Expenses shall collectively not exceed ten percent (10%) of Gross Rents from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fees and administrative fees shall only be paid on the basis of supporting documentation reasonably acceptable to the Commission, and shall be paid after the payment of all other Operating Expenses, and (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only be considered Operating Expenses to the extent they do not exceed \$10,000 in the aggregate in any year; (v) reasonable and ordinary reserves actually set aside for replacement of roofing, furniture, fixtures, equipment, and other capital expenditures, in an annual amount no less than \$200.00 per unit and no greater than such higher amount as may be established from time to time by mutual agreement of the Parties; and (vi) to the extent not otherwise included in Operating Expenses, amounts paid from any account as a reserve account for the purpose for which such reserve was created so long as such purpose would constitute an Operating Expense.

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without

limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.6 In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to the Commission towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower's interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower's estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term "Assignment" as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

"Net Proceeds" of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be

determined based upon a discount rate reasonably satisfactory to Commission), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys' fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

"Refinancing" shall mean creation or substantial modification of a loan ("Project Loan") secured by an encumbrance on the Site, the Project, or any portion thereof. The term "Refinancing" shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

## 2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of the Commission and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

## 3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this Note or

the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the Note.

4. Security and Source of Payment.

Borrower's obligations under this Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which the Commission is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to the Commission pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by the Commission. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, the Commission's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to the Commission as security for repayment of the Loan.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

The Loan proceeds shall be used by Borrower only to provide permanent financing for the housing development described in the Loan Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Note.

7. Covenants of Borrower.

As additional consideration for the making of the Loan by Commission, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to the Commission a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting the Commission, to the extent the Commission in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by the Commission in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this Note.

This Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of the Commission, which consent may be withheld by the Commission in its sole discretion. Notwithstanding anything to the contrary in this Note, no purported assignment of this Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. The Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by the Commission in its sole discretion, including, without limitation, any and all documents deemed necessary by the Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) the Commission's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this Note and the Loan Agreement and any of the other Loan Documents. With respect to Projects funded through an allocation of state and/or federal low income housing tax credits, the Commission has pre-approved certain transfers as provided in the last paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies.

A. Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or breach of any warranty or covenant made by Borrower under the terms of this Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

B. Commission Remedies. Upon the occurrence of an Event of Default hereunder, the Commission may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of the Commission, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this Note or the Loan Agreement, the Commission may, but shall not be obligated to, make such payment. If such payment is made by the Commission, Borrower shall deposit with the Commission, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by the Commission shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, the Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of the Commission and its counsel to protect the interests of the Commission and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Commission is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as the Commission may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by the Commission. In order to entitle the Commission to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

D. Commission Default and Borrower Remedies. Upon fault or failure of the Commission to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from the Commission of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;

(2) Bring an action in equitable relief seeking the specific performance by the Commission of the terms and conditions of this Note or seeking to enjoin any act by the Commission which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from the Commission arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

10. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Note or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse the Commission, upon demand by the Commission, for all costs incurred by the Commission in connection with the enforcement of this Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether the Commission is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability.

No official or employee of the Commission shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of the Commission participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the Commission shall be personally liable in the event of a breach of this Note by the Commission.

12. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and faxed or addressed as follows:



If to Commission: Community Development Commission of the  
County of Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Executive Director  
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the  
County of Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Director of Housing Development and Preservation  
Fax No. (323) 890-8576

If to Borrower: Beyond Shelter Partnership Housing Development Corporation  
520 S. Virgil, Suite 402  
Los Angeles, CA 90020  
Attn: Executive Director  
Fax No. (213) 251-2113

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

14. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provision.

15. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Note by Borrower. Each Party has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

Any waiver by the Commission must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by the Commission to take action on account of any default of Borrower. Consent by the Commission to any act or omission by Borrower will not be construed as consent to any other or subsequent act or omission or to waive the requirement for the Commission's consent to be obtained in any future or other instance.

17. Governing Law.

This Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower.

Borrower hereby represents, warrants and covenants to the Commission that:

A. Organization and Standing. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly formed, qualified to operate in California and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this Note, the Loan Agreement, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Note and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution. This Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to the Commission) which could impair its ability to perform its obligations under this Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Note.

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations. The execution and delivery of this Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Except with respect to those matters set forth hereinabove providing for the Commission's approval, consent or determination to be at the Commission's "sole discretion" or "sole and absolute discretion," the Commission hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Commission hereunder. The Commission agrees to give Borrower written notice of its approval or disapproval following submission of items to the Commission for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by the Commission or any Commission official or employee under this Note shall be solely for the benefit of the Commission, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not the Commission shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 30 of the Loan Agreement and any other consent or approval by the Commission under this Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by the Commission's Executive Director without action by the Commission's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

20. Good Faith and Fair Dealing.

The Commission and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of the Commission or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which the Commission may have.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written

**BORROWER:**

BY: BEYOND SHELTER PARTNERSHIP  
HOUSING DEVELOPMENT CORPORATION,  
a California non-profit public benefit corporation,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT "C-2" TO LOAN AGREEMENT

**CDBG PROMISSORY NOTE**  
(CDBG - PROJECT NO. \_\_\_\_\_)

\$555,000

\_\_\_\_\_, 200\_\_

For value received, the undersigned, BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION, a California Nonprofit Corporation, ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as the Commission may from time to time designate in writing), the principal sum of **FIVE HUNDRED FIFTY-FIVE THOUSAND DOLLARS (\$555,000)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan and Development Agreement dated as of \_\_\_\_\_, \_\_\_, 200\_\_, entered into between Borrower and the Commission (the "Loan Agreement"), and the terms and conditions of this Promissory Note (this "Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with the land in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest. Except as provided in Section 1.4 below, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts. Except as otherwise provided in this Note, Borrower shall repay the Loan, together with accrued interest at the Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 200\_\_\_\_. Absent prepayment or acceleration, each of the annual payments due March 15, 200\_\_\_\_ through and including March 15, 20\_\_\_\_ ("Maturity Date") shall be in an amount equal to fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined herein. Residual Receipts shall be calculated and reported to the Commission annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by the Commission from time to time. All calculations and records are subject to audit by the Commission. Notwithstanding any other provision of this Note, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date.

1.3 Calculation of Residual Receipts. Borrower shall provide to the Commission for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by the Commission for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to the Commission any

further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which "Gross Rents," as defined herein, for such calendar year exceed the "Operating Expenses", as defined herein, for that calendar year.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders; (cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below; and (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) nonelective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year; (iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, however, that (A) the amount included as property management fees and administrative fees in Operating Expenses shall collectively not exceed ten percent (10%) of Gross Rents from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fees and administrative fees shall only be paid on the basis of supporting documentation reasonably acceptable to the Commission, and shall be paid after the payment of all other Operating Expenses, and (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only be considered Operating Expenses to the extent they do not exceed \$10,000 in the aggregate in any year; (v) reasonable and ordinary reserves actually set aside for replacement of roofing, furniture, fixtures, equipment, and other capital expenditures, in an annual amount no less than \$200.00 per unit and no greater than such higher amount as may be established from time to time by mutual agreement of the Parties; and (vi) to the extent not otherwise included in Operating Expenses, amounts paid from any account as a reserve account for the purpose for which such reserve was created so long as such purpose would constitute an Operating Expense.

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without

limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.6 In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to the Commission towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower's interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower's estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term "Assignment" as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

"Net Proceeds" of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be



determined based upon a discount rate reasonably satisfactory to Commission, the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys' fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

"Refinancing" shall mean creation or substantial modification of a loan ("Project Loan") secured by an encumbrance on the Site, the Project, or any portion thereof. The term "Refinancing" shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

## 2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of the Commission and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

## 3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this Note or

the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the Note.

4. Security and Source of Payment.

Borrower's obligations under this Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which the Commission is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to the Commission pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by the Commission. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, the Commission's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to the Commission as security for repayment of the Loan.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

The Loan shall provide to the Borrower conveyance of the site for the housing development described in the Loan Agreement.

7. Covenants of Borrower.

As additional consideration for the making of the Loan by Commission, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to the Commission a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting the Commission, to the extent the Commission in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by the Commission in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this Note.

This Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of the Commission, which consent may be withheld by the Commission in its sole discretion. Notwithstanding anything to the contrary in this Note, no purported assignment of this Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. The Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by the Commission in its sole discretion, including, without limitation, any and all documents deemed necessary by the Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) the Commission's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this Note and the Loan Agreement and any of the other Loan Documents. With respect to Projects funded through an allocation of state and/or federal low income housing tax credits, the Commission has pre-approved certain transfers as provided in the last paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies.

A. Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under or the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or breach of any warranty or covenant made by Borrower under the terms of this Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

B. Commission Remedies. Upon the occurrence of an Event of Default hereunder, the Commission may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of the Commission, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this Note or the Loan Agreement, the Commission may, but shall not be obligated to, make such payment. If such payment is made by the Commission, Borrower shall deposit with the Commission, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by the Commission shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, the Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of the Commission and its counsel to protect the interests of the Commission and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Commission is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as the Commission may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by the Commission. In order to entitle the Commission to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

D. Commission Default and Borrower Remedies. Upon fault or failure of the Commission to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from the Commission of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;

(2) Bring an action in equitable relief seeking the specific performance by the Commission of the terms and conditions of this Note or seeking to enjoin any act by the Commission which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from the Commission arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

10. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Note or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse the Commission, upon demand by the Commission, for all costs incurred by the Commission in connection with the enforcement of this Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether the Commission is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability.

No official or employee of the Commission shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of the Commission participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the Commission shall be personally liable in the event of a breach of this Note by the Commission.

12. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and faxed or addressed as follows:

If to Commission: Community Development Commission of the  
County of Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Executive Director  
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the  
County of Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Director of Housing Development and Preservation  
Fax No. (323) 890-8576

If to Borrower: Beyond Shelter Partnership Housing Development Corporation  
520 S. Virgil, Suite 402  
Los Angeles, CA 90020  
Attn: Executive Director  
Fax No. (213) 251-2113

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

14. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provision.

15. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Note by Borrower. Each Party has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

Any waiver by the Commission must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by the Commission to take action on account of any default of Borrower. Consent by the Commission to any act or omission by Borrower will not be construed as consent to any other or subsequent act or omission or to waive the requirement for the Commission's consent to be obtained in any future or other instance.

17. Governing Law.

This Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower.

Borrower hereby represents, warrants and covenants to the Commission that:

A. Organization and Standing. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly formed, qualified to operate in California and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this Note, the Loan Agreement, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Note and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution. This Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to the Commission) which could impair its ability to perform its obligations under this Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Note.



G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations. The execution and delivery of this Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Except with respect to those matters set forth hereinabove providing for the Commission's approval, consent or determination to be at the Commission's "sole discretion" or "sole and absolute discretion," the Commission hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Commission hereunder. The Commission agrees to give Borrower written notice of its approval or disapproval following submission of items to the Commission for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by the Commission or any Commission official or employee under this Note shall be solely for the benefit of the Commission, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not the Commission shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 30 of the Loan Agreement and any other consent or approval by the Commission under this Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by the Commission's Executive Director without action by the Commission's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

20. Good Faith and Fair Dealing.

The Commission and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of the Commission or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which the Commission may have.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written

**BORROWER:**

BY: BEYOND SHELTER PARTNERSHIP  
HOUSING DEVELOPMENT CORPORATION,  
a California non-profit public benefit corporation,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT "D" TO LOAN AGREEMENT**

**DEEDS OF TRUST**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

(Please See Attached)

EXHIBIT "D-1" TO LOAN AGREEMENT

**HOME DEED OF TRUST**  
(HOME - PROJECT NO. \_\_\_\_\_)

OFFICIAL BUSINESS

Document entitled to free  
recording per Govt. Code  
Section 6103.

Recording Requested by and  
When Recorded Mail To:

COMMUNITY DEVELOPMENT COMMISSION OF THE  
COUNTY OF LOS ANGELES  
2 Coral Circle  
Monterey Park, CA 91755-7425  
Attn.: Director of Housing  
Development and Preservation

---

Above Space For Recorder's Use Only

**DEED OF TRUST, ASSIGNMENT OF RENTS,  
SECURITY AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of \_\_\_\_\_, 2004, by and between BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION, a California Nonprofit Corporation ("Trustor") whose address is 520 S. Virgil, Suite 402, Los Angeles, CA 90020; \_\_\_\_\_ ("Trustee"); and the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Beneficiary").

**R E C I T A L S**

A. Beneficiary is making a loan to Trustor in the original principal amount of One Million Five Hundred Thirteen Thousand One Hundred Eighty Dollars (\$1,513,180) (the "Loan") pursuant to that certain Loan and Disposition Agreement (the "Agreement") entered into by Trustor and Beneficiary and dated as of \_\_\_\_\_, 2004. The Loan is evidenced by a promissory note of even date herewith executed by Trustor (the "Note") in the principal amount of the Loan.

B. Trustor intends to use the Loan proceeds for the purpose of providing financing for the housing development described in the Agreement (the "Project"). The Project will be developed on a site legally described on Attachment "1" to this Deed of Trust (the "Property").

NOW THEREFORE, in consideration of the Loan, Trustor hereby irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as provided below all of its present and future estate, right, title and interest in and to the Property, together with all right, title and interest of Trustor therein and in and to, and grants to Beneficiary a security interest in, the following:

(A) All development rights, air rights, water, water rights, and water stock relating to the Property.

(B) All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.

(C) All appurtenances of the Property and all rights of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Property.

(D) All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.

(E) All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.

(F) All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Trustor and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under Clause (B) above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

(G) All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Trustor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits, construction and building permits, and all other permits and approvals required by any

governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease or rental agreements; (vi) all names under which the Property is now or hereafter operated or known and all rights to carry on business under any such names or any variant thereof; (vii) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (ix) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (x) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (xi) all funds deposited with Beneficiary by Trustor, and all accounts of Trustor with Beneficiary, including all accounts containing security deposits and prepaid rents paid to Trustor in connection with any leases of the Property, and all proceeds thereof; and (xii) all supplements, modifications and amendments to the foregoing.

(H) All of the right, title and interest of Trustor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

(I) All of the right, title and interest of Trustor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

(J) All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

Trustor does hereby covenant with Trustee and Beneficiary, that Trustor has good right to bargain, sell and convey Trustor's interest in the Property in manner and form as above written; and Trustor warrants and will defend same to Beneficiary, forever, against all lawful claims and demands whatsoever except as stated above.

#### THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:

(1) performance of each agreement of Trustor herein contained or incorporated herein by reference;

(2) payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Note, and any extension or renewal or modification thereof;

(3) performance of each agreement of Trustor contained in the Agreement, or any of the other "Loan Documents" (as defined in the Agreement), and any extension, renewal or modification of such Agreement and other Loan Documents;

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

1. Payment of Secured Obligations. To pay when due (a) the principal of, and the interest on, the indebtedness evidenced by the Note, (b) charges, fees and all other sums as provided in the Agreement, and (c) the principal of, and interest on, any future advances secured by this Deed of Trust.

2. Maintenance, Repair, Alterations. To keep the Property in good condition and repair; to complete promptly and in a good and workmanlike manner all buildings and other improvements to be constructed on the Property, including specifically all buildings and improvements described in the Agreement, and promptly restore in like manner any structure that may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements thereon; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit, to the extent Trustor is able by the exercise of commercially reasonable best efforts, any act to be done in or upon the Property in violation of any law, ordinance or regulation.

3. Insurance. To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Agreement or the Note. In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the Property, and Trustor authorizes and empowers Beneficiary, at its option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is not then existing any material default (or such existing default will be cured by the proceeds of such insurance) in the observance or performance of any of the covenants and agreements contained herein or in the Note or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may reasonably impose.

Trustor hereby fully assigns to Beneficiary all current and future claims it may have under any policy of insurance related to the Property or the Project, regardless of whether such insurance was required to be maintained under the Loan Documents. Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

Further, Beneficiary may at the time in its sole discretion require Trustor to submit satisfactory evidence of insurance policies obtained pursuant to this Paragraph 3 and of Trustor's compliance with all the provisions of said policies.

4. Lawsuits. To appear in and defend, or otherwise take such action therein as the Beneficiary and Trustee or either of them may deem advisable with respect to, any action or proceeding affecting the security for the Loan in which Beneficiary or Trustee may appear.

5. Beneficiary Statement. To pay all charges for all court costs and expenses which Beneficiary may elect to advance in order to keep unimpaired, protect, and

preserve the title thereto; and to pay for any statement provided for by law in effect at the date hereof regarding the obligations secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

6. Condemnation. That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the Property or the improvements thereon, are hereby assigned to Beneficiary. If (i) Trustor is not then in material default hereunder (or such default will be cured with the proceeds from the foregoing), and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is then in material default hereunder (and such default will not be cured with the proceeds of the foregoing), (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to Beneficiary to the extent of those monies due and owing under the Note, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of any such award, judgment or settlement which may be received by Trustor. Subject to any prior rights of creditors under the Senior Financing (as defined in the Agreement), Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Permitted Acts of Beneficiary. That without affecting the liability of any person, including Trustor (other than any person released pursuant hereto), for the payment of any indebtedness secured hereby, Beneficiary is authorized and empowered as follows: Beneficiary may at any time, and from time to time, either before or after the maturity of the obligations secured hereby, and without notice (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, or (d) release any property, real or personal, securing the indebtedness.

8. Reconveyance of Property. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall thereafter bear interest at the Default Rate of interest per annum set forth in the Note until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall



cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Note, not then repaid, with accrued interest at the Deferral Rate; second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. Substitute Trustees. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the Office of the Recorder of the County of Los Angeles, and by otherwise complying with the provisions of California Civil Code Section 2934a, or any successor section, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, right, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

11. Successors Bound. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, assigns, trustees and receivers. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

12. Evidence of Title. That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the Deferral Rate. Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request.

13. Default in Other Instruments; Bankruptcy. That default in the terms of any other instrument securing the debt secured hereby, and/or the filing or other commencement of any bankruptcy or insolvency proceedings including any assignment for the benefit of creditors

or other proceedings intended to liquidate or rehabilitate, by, for or against Trustor shall after any applicable notice and cure period constitute default under this Deed of Trust.

14. Statute of Limitations. That the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived by the Trustor, to the full extent permissible by law.

15. Severability. That the invalidity of any one or more covenants, phrases, clauses, sentences, paragraphs or sections of this Deed of Trust shall not affect the remaining portions of this Deed of Trust or any part hereof and this Deed of Trust shall be constructed as if such invalid covenants, phrases, sentences, paragraphs or sections, if any, had not been inserted herein.

16. Order of Application. That if the indebtedness secured hereby is now or hereafter becomes further secured by a security agreement, deed of trust, pledge, contract of guaranty or other additional securities, Beneficiary may to the full extent allowed by law, at its option, exhaust any one or more of said securities as well as the security hereunder, either concurrently or independently and in such order as it may determine, and may apply the proceeds received upon the indebtedness secured hereby without affecting the status of, or waiving any right to exhaust all or any other security including the security thereunder and without waiving any breach or default in any right or power, whether exercised hereunder or contained herein, or in any such other security.

17. Covenants of Trustor.

(a) Audit by State and Federal Agencies. In the event the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Trustor shall comply with such inspections and pay, on behalf of itself and Beneficiary, the full amount of the cost to the inspecting agency of such inspections (unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Beneficiary).

(b) Program Evaluation and Review Trustor shall allow Beneficiary's authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or the Agreement, including the interview of Trustor's staff, tenants, and other program participants, as reasonably required by Beneficiary during the term of the Loan.

18. Default. The Trustor shall be in default under this Deed of Trust upon any of the following events which, if not cured within the applicable cure period provided, if any, shall constitute an event of default hereunder ("Event of Default"):

a. The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note, the Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Note;

b. The failure of Trustor to perform any nonmonetary covenant or obligation hereunder or under the terms of the Agreement, the Note or any other documents

executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 18(c) through 18(h) below;

c. The material falsity of any representation or breach of any warranty or covenant made by Trustor under the terms of this Deed of Trust, the Note, the Agreement or any other document executed in connection therewith;

d. Trustor or any constituent member or partner, or majority shareholder, of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

e. If without the application, approval or consent of Trustor, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner, or majority shareholder, of Trustor, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

f. Trustor shall suffer or attempt to effect a "Transfer" (as defined in Section 33 below) other than in full compliance with the terms of this Deed of Trust (or otherwise in violation of Section 14 or 30 of the Agreement);

g. Trustor shall be in default under the CC&Rs, the Senior Financing, any Junior Financing or Other Financing (as all these terms are defined in the Agreement), the Supportive Services Agreement (as defined in, and if applicable under, Section 7 of the Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured or waived within the cure period, if any, applicable thereto under the terms of the obligation which is in default; or

h. Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or

the involuntary cessation of the operation of the Project in accordance with this Deed of Trust for a continuous period of more than sixty (60) days.

19. Acceleration. The entire principal and all accrued and unpaid interest on the Note shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof (except in the case of default described in Section 18 (c) or (d) , in which case no notice shall be required), become immediately due and payable upon any Event of Default as set forth in the Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

20. Breach by Trustor, Cure by Beneficiary or Trustee. In the event of Trustor's failure to comply with any or all of the promises and agreements set forth in this Deed of Trust or to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee, but without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either in its sole judgment may deem necessary to protect the security hereof (including, without limitation, to procure insurance and pay the premiums therefor; to pay unpaid water rents, sewer service charges, and other governmental or municipal charges and rates, and all or any part of the unpaid taxes, assessments, and reassessments, if in its judgment the same are just and valid; to pay the cost of appraisals, reappraisals, and extensions of title; to enter or have its agents enter upon the Property whenever reasonably necessary for the purpose of inspecting the Property or making repairs or installations as it deems necessary to preserve the Property or to protect the same from vandalism, without thereby becoming liable as a trespasser or mortgagee or beneficiary in possession, and to pay for such repairs and installations). Beneficiary and Trustee are hereby authorized to enter upon the Property for such purposes; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, to pay necessary expenses, employ counsel of its choice and pay the reasonable fees of such counsel. Trustor agrees to pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and that Beneficiary shall have a lien upon the Property for the sums so expended and such interest thereon.

21. Security Agreement. That all property covered by this Deed of Trust be deemed to constitute real property or interests in real property to the maximum extent permitted under applicable law. To the extent that any tangible property, equipment or other property covered by this Deed of Trust constitutes personal property, such personal property shall constitute additional security. This Deed of Trust shall create in Beneficiary a security interest in such personal property and shall in respect thereof constitute a security agreement (the "Security Agreement"). Beneficiary shall be entitled to all of the rights and remedies in respect of any personal property included in the Property covered by this Deed of Trust afforded a secured party under the Uniform Commercial Code and other applicable law. At Beneficiary's request Trustor will at any time and from time to time furnish Beneficiary for filing financing statements signed by Trustor in form satisfactory to Beneficiary. Trustor acknowledges and agrees that thirty (30) days' notice as to the time, place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed

of Trust unless Beneficiary executes documentation expressly terminating the Security Agreement.

22. Assumption of Liability. Except as provided in Section 33 , the assumption of liability for the payment of the indebtedness hereby secured, by any successor in interest to Trustor in the Property (in the event Beneficiary elects not to accelerate the repayment of the Loan pursuant to any transfer or disposition of the Property by operation of law or otherwise) shall not release Trustor from any liability Trustor has hereunder or under the other Loan Documents for the payment of such indebtedness or any sums advanced under and secured by this Deed of Trust. Any forbearance or indulgence of Beneficiary, or extensions of time for the payment of all or any part of the indebtedness secured hereby, or the release of a part of the Property from the lien of this Deed of Trust, for, or without, payment of a consideration, shall not in any manner diminish or reduce the liability of Trustor (subject to the nonrecourse provisions of Section 27) for the payment of the indebtedness now or hereafter secured hereby; and that any payments made upon the said indebtedness shall be deemed to have been made on behalf and for the benefit of all parties obligated to pay the same. The acceptance of payments in excess of the installments provided to be paid upon the Note or the consideration paid for any such release shall not alter or diminish the obligation of Trustor to thereafter make payments in the amounts and on the dates provided therein, until the same are fully paid.

23. Future Advances. That upon the request of the Trustor or its successor in ownership of the Property, Beneficiary may, at its option, at any time before full payment of the Note secured hereby, make further advances to the Trustor or its successors in ownership, and the same, with interest and late charges as permitted by law, shall be secured by this Deed of Trust; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, the Trustor or its successors in ownership agree to execute and deliver to Beneficiary a note to evidence the same, payable on or before the maturity of the indebtedness under the Note secured hereby and bearing such other terms as Beneficiary shall require.

Trustor further acknowledges and agrees: that this Deed of Trust is intended to, and shall, secure not only the original indebtedness under the Note, but any and all future advances made by Beneficiary to Trustor; that this Deed of Trust shall secure any unpaid balances of advances made with respect to the Property; that Beneficiary shall have the benefit of all statutes now existing or henceforth enacted to assure repayment of any such future advances plus interest thereon; that to secure the payment of said original indebtedness and future advances Beneficiary shall also have a lien upon all other personal property and securities now or hereafter in its possession belonging to Trustor; that all rights, powers and remedies conferred upon Beneficiary herein are in addition to each and every other right which Beneficiary has hereunder; that all rights, powers and remedies conferred upon Beneficiary in equity or by law may be enforced concurrently therewith; that Beneficiary shall be subrogated to the rights and seniority of any prior lien paid or released by reason of the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

24. Captions. That the captions of the sections of this Deed of Trust are for convenience only and shall not be considered in resolving questions of interpretation or construction.

25. Estoppel Certificates. That Trustor shall from time to time at Beneficiary's request furnish Beneficiary or any person designated by Beneficiary, a certified statement in form reasonably satisfactory to Beneficiary confirming as of the date of the certificate the unpaid principal balance and accrued interest on the Note and stating that Trustor is not in default hereunder (or describing any default), and stating that Trustor has no defense, right of set off or counterclaim in the payment of the indebtedness, or any part thereof, or the observance or performance of any obligation (or describing any such defense, set off or counterclaim). Any purchaser or assignee of the Note or this Deed of Trust or any interest therein may rely on such certificate.

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary at no expense to Trustor or its representatives to examine such books and records and all supporting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

27. Obligation Nonrecourse. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with the Loan, the Loan is a nonrecourse obligation of Trustor and in the event of the occurrence of an Event of Default, Beneficiary's only recourse under this Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Beneficiary as security for repayment of the Loan.

28. Fixture Filing. This Deed of Trust is also a fixture filing with respect to the personal property which is or is to become fixtures on the Property, and is to be recorded in the real property records of Los Angeles County, California.

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compensation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and making such collection, shall be deemed a portion of the expense of this trust. The entering

upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law.

30. Applicable Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California.

31. Approvals. Except with respect to those matters set forth hereinabove providing for the Beneficiary's approval, consent or determination to be at the Beneficiary's "sole discretion" or "sole and absolute discretion," the Beneficiary hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Beneficiary hereunder. The Beneficiary agrees to give Trustor written notice of its approval or disapproval following submission of items to the Beneficiary for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any consent to a transfer under Section 33 of this Deed of Trust, and any other consent or approval by Beneficiary under this Deed of Trust or any of the other Loan Documents, may be given by Beneficiary's Executive Director without action of Beneficiary's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

32. Good Faith and Fair Dealing. The Beneficiary and Trustor agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

33. Assignment of Interest.

a. Without the prior written approval of the Beneficiary, which approval the Beneficiary may withhold in its sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property or the Project (excluding tenant leases pursuant to the terms of the Agreement), (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, Beneficiary consents to the events described in the last paragraph of Section 14.0 of the Agreement without Trustor obtaining any further consent of Beneficiary. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Agreement or this Deed of Trust.

b. At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Trustor and the proposed transferee to the Beneficiary sufficient to establish and ensure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to

the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. From and after the effective date of any such Transfer, Trustor shall be released from its obligations under this Deed of Trust and the other Loan Documents accruing subsequent to such effective date.

c. Notwithstanding anything in this Deed of Trust to the contrary, Trustor agrees that it shall not be permitted to make any Transfer, whether or not the Beneficiary consent is required therefor and even if the Beneficiary has consented thereto, if there exists an Event of Default under this Deed of Trust at the time the Transfer Notice is tendered to the Beneficiary or at any time thereafter until such Transfer is to be effective.

d. The provisions of this Section 33 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Trustor under the terms set forth herein.



IN WITNESS WHEREOF, the undersigned have executed this Deed of Trust as of the date first above written.

TRUSTOR:

BEYOND SHELTER PARTNERSHIP HOUSING  
DEVELOPMENT CORPORATION,  
a California non-profit public benefit corporation,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BENEFICIARY:

COMMUNITY DEVELOPMENT COMMISSION OF THE  
COUNTY OF LOS ANGELES, a public body corporate and  
politic

By: \_\_\_\_\_  
Executive Director

APPROVED AS TO FORM:

Office of County Counsel

By: \_\_\_\_\_  
Deputy

STATE OF CALIFORNIA                    )  
  ) ss.  
COUNTY OF LOS ANGELES            )

On \_\_\_\_\_ before me, \_\_\_\_\_,

Notary Public, personally appeared \_\_\_\_\_  
personally known to me (or proved to me on the basis of satisfactory evidence) to be the  
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me  
that he/she/they executed the same in his/her/their authorized capacity(ies), and that by  
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the  
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature

STATE OF CALIFORNIA                    )  
  ) ss.  
COUNTY OF LOS ANGELES            )

On \_\_\_\_\_ before me, \_\_\_\_\_,

Notary Public, personally appeared \_\_\_\_\_  
personally known to me (or proved to me on the basis of satisfactory evidence) to be the  
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me  
that he/she/they executed the same in his/her/their authorized capacity(ies), and that by  
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the  
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature

ATTACHMENT 1

**LEGAL DESCRIPTION OF PROPERTY**  
(HOME – PROJECT NO.        )

LOT 138 OF WILLOWBROOK IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES,  
STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6, PAGE 38 OF MAPS, IN THE  
OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 6152-003-004

EXHIBIT "D-2" TO LOAN AGREEMENT

**CDBG DEED OF TRUST**  
(CDBG - PROJECT NO. \_\_\_\_\_)

OFFICIAL BUSINESS

Document entitled to free  
recording per Govt. Code  
Section 6103.

Recording Requested by and  
When Recorded Mail To:

COMMUNITY DEVELOPMENT COMMISSION OF THE  
COUNTY OF LOS ANGELES  
2 Coral Circle  
Monterey Park, CA 91755-7425  
Attn.: Director of Housing  
Development and Preservation

\_\_\_\_\_  
Above Space For Recorder's Use Only

**DEED OF TRUST, ASSIGNMENT OF RENTS,  
SECURITY AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of \_\_\_\_\_, 2004, by and between BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION, a California Nonprofit Corporation ("Trustor") whose address is 520 S. Virgil, Suite 402, Los Angeles, CA 90020; \_\_\_\_\_ ("Trustee"); and the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Beneficiary").

R E C I T A L S

A. Commission is conveying ownership of the Commission-owned Site located at 2129 El Segundo Blvd., Compton, CA 90222 ("the Site"), described in Attachment "1" to this Deed of Trust (the "Property"), for the amount of **Five hundred fifty-five thousand dollars (\$555,000)** pursuant to that certain Loan and Disposition Agreement (the "Agreement") entered into by Trustor and Beneficiary and dated as of \_\_\_\_\_, 2004. The Loan is evidenced by the CDBG Land Acquisition Loan Promissory Note of even date herewith executed by Trustor (the "Note") in the principal amount of the Loan.

B. Trustor intends to use the Site for the purpose of the housing development described in the Agreement (the "Project"). The Project will be developed on a site legally described on

NOW THEREFORE, in consideration of the Loan, Trustor hereby irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as provided below all of its present and future estate, right, title and interest in and to the Property, together with all right, title and interest of Trustor therein and in and to, and grants to Beneficiary a security interest in, the following:

(A) All development rights, air rights, water, water rights, and water stock relating to the Property.

(B) All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.

(C) All appurtenances of the Property and all rights of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Property.

(D) All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.

(E) All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.

(F) All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Trustor and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under Clause (B) above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

(G) All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Trustor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits,

construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease or rental agreements; (vi) all names under which the Property is now or hereafter operated or known and all rights to carry on business under any such names or any variant thereof; (vii) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (ix) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (x) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (xi) all funds deposited with Beneficiary by Trustor, and all accounts of Trustor with Beneficiary, including all accounts containing security deposits and prepaid rents paid to Trustor in connection with any leases of the Property, and all proceeds thereof; and (xii) all supplements, modifications and amendments to the foregoing.

(H) All of the right, title and interest of Trustor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

(I) All of the right, title and interest of Trustor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

(J) All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

Trustor does hereby covenant with Trustee and Beneficiary, that Trustor has good right to bargain, sell and convey Trustor's interest in the Property in manner and form as above written; and Trustor warrants and will defend same to Beneficiary, forever, against all lawful claims and demands whatsoever except as stated above.

**THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:**

(1) performance of each agreement of Trustor herein contained or incorporated herein by reference;

(2) payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Note, and any extension or renewal or modification thereof;

(3) performance of each agreement of Trustor contained in the Agreement, or any of the other "Loan Documents" (as defined in the Agreement), and any extension, renewal or modification of such Agreement and other Loan Documents;

**TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:**

1. Payment of Secured Obligations. To pay when due (a) the principal of, and the interest on, the indebtedness evidenced by the Note, (b) charges, fees and all other sums as provided in the Agreement, and (c) the principal of, and interest on, any future advances secured by this Deed of Trust.

2. Maintenance, Repair, Alterations. To keep the Property in good condition and repair; to complete promptly and in a good and workmanlike manner all buildings and other improvements to be constructed on the Property, including specifically all buildings and improvements described in the Agreement, and promptly restore in like manner any structure that may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements thereon; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit, to the extent Trustor is able by the exercise of commercially reasonable best efforts, any act to be done in or upon the Property in violation of any law, ordinance or regulation.

3. Insurance. To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Agreement or the Note. In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the Property, and Trustor authorizes and empowers Beneficiary, at its option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is not then existing any material default (or such existing default will be cured by the proceeds of such insurance) in the observance or performance of any of the covenants and agreements contained herein or in the Note or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may reasonably impose.

Trustor hereby fully assigns to Beneficiary all current and future claims it may have under any policy of insurance related to the Property or the Project, regardless of whether such insurance was required to be maintained under the Loan Documents. Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

Further, Beneficiary may at the time in its sole discretion require Trustor to submit satisfactory evidence of insurance policies obtained pursuant to this Paragraph 3 and of Trustor's compliance with all the provisions of said policies.

4. Lawsuits. To appear in and defend, or otherwise take such action therein as the Beneficiary and Trustee or either of them may deem advisable with respect to, any action or proceeding affecting the security for the Loan in which Beneficiary or Trustee may appear.

5. Beneficiary Statement. To pay all charges for all court costs and expenses which Beneficiary may elect to advance in order to keep unimpaired, protect, and

preserve the title thereto; and to pay for any statement provided for by law in effect at the date hereof regarding the obligations secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

6. Condemnation. That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the Property or the improvements thereon, are hereby assigned to Beneficiary. If (i) Trustor is not then in material default hereunder (or such default will be cured with the proceeds from the foregoing), and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is then in material default hereunder (and such default will not be cured with the proceeds of the foregoing), (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to Beneficiary to the extent of those monies due and owing under the Note, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of any such award, judgment or settlement which may be received by Trustor. Subject to any prior rights of creditors under the Senior Financing (as defined in the Agreement), Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Permitted Acts of Beneficiary. That without affecting the liability of any person, including Trustor (other than any person released pursuant hereto), for the payment of any indebtedness secured hereby, Beneficiary is authorized and empowered as follows: Beneficiary may at any time, and from time to time, either before or after the maturity of the obligations secured hereby, and without notice (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, or (d) release any property, real or personal, securing the indebtedness.

8. Reconveyance of Property. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall thereafter bear interest at the Default Rate of interest per annum set forth in the Note until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall



cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Note, not then repaid, with accrued interest at the Deferral Rate; second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. Substitute Trustees. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the Office of the Recorder of the County of Los Angeles, and by otherwise complying with the provisions of California Civil Code Section 2934a, or any successor section, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, right, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

11. Successors Bound. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, assigns, trustees and receivers. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

12. Evidence of Title. That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the Deferral Rate. Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request.

13. Default in Other Instruments; Bankruptcy. That default in the terms of any other instrument securing the debt secured hereby, and/or the filing or other commencement of any bankruptcy or insolvency proceedings including any assignment for the benefit of creditors

or other proceedings intended to liquidate or rehabilitate, by, for or against Trustor shall after any applicable notice and cure period constitute default under this Deed of Trust.

14. Statute of Limitations. That the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived by the Trustor, to the full extent permissible by law.

15. Severability. That the invalidity of any one or more covenants, phrases, clauses, sentences, paragraphs or sections of this Deed of Trust shall not affect the remaining portions of this Deed of Trust or any part hereof and this Deed of Trust shall be constructed as if such invalid covenants, phrases, sentences, paragraphs or sections, if any, had not been inserted herein.

16. Order of Application. That if the indebtedness secured hereby is now or hereafter becomes further secured by a security agreement, deed of trust, pledge, contract of guaranty or other additional securities, Beneficiary may to the full extent allowed by law, at its option, exhaust any one or more of said securities as well as the security hereunder, either concurrently or independently and in such order as it may determine, and may apply the proceeds received upon the indebtedness secured hereby without affecting the status of, or waiving any right to exhaust all or any other security including the security thereunder and without waiving any breach or default in any right or power, whether exercised hereunder or contained herein, or in any such other security.

17. Covenants of Trustor.

(a) Audit by State and Federal Agencies. In the event the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Trustor shall comply with such inspections and pay, on behalf of itself and Beneficiary, the full amount of the cost to the inspecting agency of such inspections (unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Beneficiary).

(b) Program Evaluation and Review Trustor shall allow Beneficiary's authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or the Agreement, including the interview of Trustor's staff, tenants, and other program participants, as reasonably required by Beneficiary during the term of the Loan.

18. Default. The Trustor shall be in default under this Deed of Trust upon any of the following events which, if not cured within the applicable cure period provided, if any, shall constitute an event of default hereunder ("Event of Default"):

a. The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note, the Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Note;

b. The failure of Trustor to perform any nonmonetary covenant or obligation hereunder or under the terms of the Agreement, the Note or any other documents

executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 18(c) through 18(h) below;

c. The material falsity of any representation or breach of any warranty or covenant made by Trustor under the terms of this Deed of Trust, the Note, the Agreement or any other document executed in connection therewith;

d. Trustor or any constituent member or partner, or majority shareholder, of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

e. If without the application, approval or consent of Trustor, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner, or majority shareholder, of Trustor, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

f. Trustor shall suffer or attempt to effect a "Transfer" (as defined in Section 33 below) other than in full compliance with the terms of this Deed of Trust (or otherwise in violation of Section 14 or 30 of the Agreement);

g. Trustor shall be in default under the CC&Rs, the Senior Financing, any Junior Financing or Other Financing (as all these terms are defined in the Agreement), the Supportive Services Agreement (as defined in, and if applicable under, Section 7 of the Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured or waived within the cure period, if any, applicable thereto under the terms of the obligation which is in default; or

h. Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or

the involuntary cessation of the operation of the Project in accordance with this Deed of Trust for a continuous period of more than sixty (60) days.

19. Acceleration. The entire principal and all accrued and unpaid interest on the Note shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof (except in the case of default described in Section 18 (c) or (d) , in which case no notice shall be required), become immediately due and payable upon any Event of Default as set forth in the Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

20. Breach by Trustor, Cure by Beneficiary or Trustee. In the event of Trustor's failure to comply with any or all of the promises and agreements set forth in this Deed of Trust or to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee, but without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either in its sole judgment may deem necessary to protect the security hereof (including, without limitation, to procure insurance and pay the premiums therefor; to pay unpaid water rents, sewer service charges, and other governmental or municipal charges and rates, and all or any part of the unpaid taxes, assessments, and reassessments, if in its judgment the same are just and valid; to pay the cost of appraisals, reappraisals, and extensions of title; to enter or have its agents enter upon the Property whenever reasonably necessary for the purpose of inspecting the Property or making repairs or installations as it deems necessary to preserve the Property or to protect the same from vandalism, without thereby becoming liable as a trespasser or mortgagee or beneficiary in possession, and to pay for such repairs and installations). Beneficiary and Trustee are hereby authorized to enter upon the Property for such purposes; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, to pay necessary expenses, employ counsel of its choice and pay the reasonable fees of such counsel. Trustor agrees to pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and that Beneficiary shall have a lien upon the Property for the sums so expended and such interest thereon.

21. Security Agreement. That all property covered by this Deed of Trust be deemed to constitute real property or interests in real property to the maximum extent permitted under applicable law. To the extent that any tangible property, equipment or other property covered by this Deed of Trust constitutes personal property, such personal property shall constitute additional security. This Deed of Trust shall create in Beneficiary a security interest in such personal property and shall in respect thereof constitute a security agreement (the "Security Agreement"). Beneficiary shall be entitled to all of the rights and remedies in respect of any personal property included in the Property covered by this Deed of Trust afforded a secured party under the Uniform Commercial Code and other applicable law. At Beneficiary's request Trustor will at any time and from time to time furnish Beneficiary for filing financing statements signed by Trustor in form satisfactory to Beneficiary. Trustor acknowledges and agrees that thirty (30) days' notice as to the time, place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed

of Trust unless Beneficiary executes documentation expressly terminating the Security Agreement.

22. Assumption of Liability. Except as provided in Section 33 , the assumption of liability for the payment of the indebtedness hereby secured, by any successor in interest to Trustor in the Property (in the event Beneficiary elects not to accelerate the repayment of the Loan pursuant to any transfer or disposition of the Property by operation of law or otherwise) shall not release Trustor from any liability Trustor has hereunder or under the other Loan Documents for the payment of such indebtedness or any sums advanced under and secured by this Deed of Trust. Any forbearance or indulgence of Beneficiary, or extensions of time for the payment of all or any part of the indebtedness secured hereby, or the release of a part of the Property from the lien of this Deed of Trust, for, or without, payment of a consideration, shall not in any manner diminish or reduce the liability of Trustor (subject to the nonrecourse provisions of Section 27) for the payment of the indebtedness now or hereafter secured hereby; and that any payments made upon the said indebtedness shall be deemed to have been made on behalf and for the benefit of all parties obligated to pay the same. The acceptance of payments in excess of the installments provided to be paid upon the Note or the consideration paid for any such release shall not alter or diminish the obligation of Trustor to thereafter make payments in the amounts and on the dates provided therein, until the same are fully paid.

23. Future Advances. That upon the request of the Trustor or its successor in ownership of the Property, Beneficiary may, at its option, at any time before full payment of the Note secured hereby, make further advances to the Trustor or its successors in ownership, and the same, with interest and late charges as permitted by law, shall be secured by this Deed of Trust; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, the Trustor or its successors in ownership agree to execute and deliver to Beneficiary a note to evidence the same, payable on or before the maturity of the indebtedness under the Note secured hereby and bearing such other terms as Beneficiary shall require.

Trustor further acknowledges and agrees: that this Deed of Trust is intended to, and shall, secure not only the original indebtedness under the Note, but any and all future advances made by Beneficiary to Trustor; that this Deed of Trust shall secure any unpaid balances of advances made with respect to the Property; that Beneficiary shall have the benefit of all statutes now existing or henceforth enacted to assure repayment of any such future advances plus interest thereon; that to secure the payment of said original indebtedness and future advances Beneficiary shall also have a lien upon all other personal property and securities now or hereafter in its possession belonging to Trustor; that all rights, powers and remedies conferred upon Beneficiary herein are in addition to each and every other right which Beneficiary has hereunder; that all rights, powers and remedies conferred upon Beneficiary in equity or by law may be enforced concurrently therewith; that Beneficiary shall be subrogated to the rights and seniority of any prior lien paid or released by reason of the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

24. Captions. That the captions of the sections of this Deed of Trust are for convenience only and shall not be considered in resolving questions of interpretation or construction.

25. Estoppel Certificates. That Trustor shall from time to time at Beneficiary's request furnish Beneficiary or any person designated by Beneficiary, a certified statement in form reasonably satisfactory to Beneficiary confirming as of the date of the certificate the unpaid principal balance and accrued interest on the Note and stating that Trustor is not in default hereunder (or describing any default), and stating that Trustor has no defense, right of set off or counterclaim in the payment of the indebtedness, or any part thereof, or the observance or performance of any obligation (or describing any such defense, set off or counterclaim). Any purchaser or assignee of the Note or this Deed of Trust or any interest therein may rely on such certificate.

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary at no expense to Trustor or its representatives to examine such books and records and all supporting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

27. Obligation Nonrecourse. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with the Loan, the Loan is a nonrecourse obligation of Trustor and in the event of the occurrence of an Event of Default, Beneficiary's only recourse under this Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Beneficiary as security for repayment of the Loan.

28. Fixture Filing. This Deed of Trust is also a fixture filing with respect to the personal property which is or is to become fixtures on the Property, and is to be recorded in the real property records of Los Angeles County, California.

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compensation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and making such collection, shall be deemed a portion of the expense of this trust. The entering

upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law.

30. Applicable Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California.

31. Approvals. Except with respect to those matters set forth hereinabove providing for the Beneficiary's approval, consent or determination to be at the Beneficiary's "sole discretion" or "sole and absolute discretion," the Beneficiary hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Beneficiary hereunder. The Beneficiary agrees to give Trustor written notice of its approval or disapproval following submission of items to the Beneficiary for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any consent to a transfer under Section 33 of this Deed of Trust, and any other consent or approval by Beneficiary under this Deed of Trust or any of the other Loan Documents, may be given by Beneficiary's Executive Director without action of Beneficiary's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

32. Good Faith and Fair Dealing. The Beneficiary and Trustor agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

33. Assignment of Interest.

a. Without the prior written approval of the Beneficiary, which approval the Beneficiary may withhold in its sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property or the Project (excluding tenant leases pursuant to the terms of the Agreement), (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, Beneficiary consents to the events described in the last paragraph of Section 14.0 of the Agreement without Trustor obtaining any further consent of Beneficiary. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Agreement or this Deed of Trust.

b. At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Trustor and the proposed transferee to the Beneficiary sufficient to establish and ensure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to

the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. From and after the effective date of any such Transfer, Trustor shall be released from its obligations under this Deed of Trust and the other Loan Documents accruing subsequent to such effective date.

c. Notwithstanding anything in this Deed of Trust to the contrary, Trustor agrees that it shall not be permitted to make any Transfer, whether or not the Beneficiary consent is required therefor and even if the Beneficiary has consented thereto, if there exists an Event of Default under this Deed of Trust at the time the Transfer Notice is tendered to the Beneficiary or at any time thereafter until such Transfer is to be effective.

d. The provisions of this Section 33 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Trustor under the terms set forth herein.



IN WITNESS WHEREOF, the undersigned have executed this Deed of Trust as of the date first above written.

TRUSTOR:

BEYOND SHELTER PARTNERSHIP HOUSING  
DEVELOPMENT CORPORATION,  
a California non-profit public benefit corporation,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BENEFICIARY:

COMMUNITY DEVELOPMENT COMMISSION OF THE  
COUNTY OF LOS ANGELES, a public body corporate and  
politic

By: \_\_\_\_\_  
Executive Director

APPROVED AS TO FORM:

Office of County Counsel

By: \_\_\_\_\_  
Deputy

STATE OF CALIFORNIA                    )  
  ) ss.  
COUNTY OF LOS ANGELES            )

On \_\_\_\_\_ before me, \_\_\_\_\_,  
Notary                                   Public,                                   personally                                   appeared  
\_\_\_\_\_ personally known to me (or  
proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the  
same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the  
instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the  
instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature

STATE OF CALIFORNIA                    )  
  ) ss.  
COUNTY OF LOS ANGELES            )

On \_\_\_\_\_ before me, \_\_\_\_\_,  
Notary                                   Public,                                   personally                                   appeared  
\_\_\_\_\_ personally known to me (or  
proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the  
same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the  
instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the  
instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature

ATTACHMENT 1

**LEGAL DESCRIPTION OF PROPERTY**  
(HOME – PROJECT NO.       )

LOT 138 OF WILLOWBROOK IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES,  
STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6, PAGE 38 OF MAPS, IN THE  
OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 6152-003-004

**EXHIBIT "E" TO LOAN AGREEMENT**

**CC&RS**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

(Please See Attached)

RECORDING REQUESTED BY AND  
AFTER RECORDATION, MAIL TO:

COMMUNITY DEVELOPMENT COMMISSION  
OF THE COUNTY OF LOS ANGELES  
2 Coral Circle  
Monterey Park, CA 91755-7425  
Attn.: Director of Housing  
Development and Preservation

---

(Space Above Line for Recorder's use)

This Agreement is recorded at the request and for the benefit of the Community Development Commission of the County of Los Angeles and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

EXHIBIT "E" TO LOAN AGREEMENT

**COVENANTS, CONDITIONS, AND RESTRICTIONS**  
(HOME - PROJECT NO. \_\_\_\_\_)

THIS AGREEMENT CONTAINING COVENANTS, CONDITIONS, AND RESTRICTIONS ("Agreement") is executed as of the \_\_\_\_ day of \_\_\_\_\_, 200\_\_ by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission"), and BEYOND SHELTER HOUSING DEVELOPMENT CORPORATION, a California Nonprofit Corporation ("Owner"), with reference to the following:

A. The Commission and Owner are parties to a Loan Agreement ("Loan Agreement") dated as of the \_\_\_\_ day of \_\_\_\_\_, 200\_\_, on the terms and conditions of which Owner shall borrow from the Commission, and the Commission shall lend to Owner, the original principal amount of **ONE MILLION FIVE HUNDRED THIRTEEN THOUSAND ONE HUNDRED EIGHTY** Dollars (\$1,513,180) (the "Loan") for the purpose of providing financing for the housing development described in the Loan Agreement (the "Project"). The Project will be developed on a site legally described on Exhibit "A" to this Agreement (the "Site").

B. Unless otherwise expressly provided, all defined terms used in this Agreement shall have the defined meanings provided for in the Loan Agreement.

NOW THEREFORE, in consideration of the representations, covenants, and obligations of Owner contained in this Agreement, Owner, on behalf of itself and its successors and assigns, hereby covenants and agrees as follows:

(1) Use of the Property.

a. Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Owner, that, throughout the Fifty-Five (55) Year term of this Agreement ("Term") commencing on the date of this Agreement, Owner and such successors and assigns shall use the Site solely for the purpose of developing and operating the Project as a residential rental development consisting of 12 dwelling units, which shall be operated in accordance with the terms of this Agreement. Of the 12 total dwelling units in the Project, 11 units (the "HOME Assisted Units") shall be income-restricted and rented only at an "Affordable Housing Cost" (as defined below) and only to households meeting the income criteria applicable to the unit as provided in the following table:

Household Income Level	No. of Studio units	No. of 1- BR units	No. of 2- BR units	No. of 3-BR units	Total HOME Assisted Units for this income level
Moderate					
Low					
Sixty Percent					
Very Low					
Very Very Low			11		11
Manager's Unit			1		1

HOME Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, that are not HOME Assisted Units. Subject to the reasonable approval of the Commission's Executive Director (or his or her designee), the location of the HOME Assisted Units within the Project may be changed from time by Owner.

"Moderate Income Households" shall mean persons and families whose gross annual household incomes do not exceed the qualifying limits for moderate income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, which qualifying limits are otherwise set forth in Section 6932 of Title 25 of the California Code of Regulations and are equivalent to 120 percent (120%) of Area Median Income, adjusted for family size and other adjustment factors by the United States Department of Housing and Urban Development.

"Low Income Households" shall mean persons and families whose gross annual household incomes do not exceed the qualifying limits for low income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, which qualifying limits are otherwise set forth in Section 6932 of Title 25 of the California Code of Regulations and are equivalent to eighty percent (80%) of Area Median Income, adjusted for family size and other adjustment factors by the United States Department of Housing and Urban Development.

"Sixty Percent Households" shall mean persons and families whose gross annual household incomes do not exceed sixty percent (60%) of Area Median Income.

"Very Low Income Households" shall mean persons and families whose gross annual household incomes do not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, which qualifying limits are otherwise set forth in Section 6932 of Title 25 of the California Code of Regulations and are equivalent to fifty percent (50%) of Area Median Income, adjusted for family size and other adjustment factors by the United States Department of Housing and Urban Development.

"Very Very Low Income Households" shall mean Very Low Income Households whose gross annual incomes do not exceed thirty-five percent (35%) of Area Median Income.

"Affordable Housing Cost" shall mean, as to each Eligible Person, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for a Moderate Income Household, the product of thirty percent (30%) times one hundred ten percent (110%) of Area Median Income adjusted for family size appropriate to the Assisted Unit; provided, however, that The Commission's Executive Director may elect instead to use the alternative Moderate Income Household Affordable Housing Cost definition, namely thirty percent (30%) of actual household gross income;

(ii) for a Low Income Household, the product of thirty percent (30%) times sixty percent (60%) of Area Median Income adjusted for family size appropriate to the Assisted Unit; provided, however, that for households with incomes exceeding sixty percent (60%) of Area Median Income, The Commission's Executive Director may elect instead to use the alternative Low Income Household Affordable Housing Cost definition, namely thirty percent (30%) of actual household gross income;

(iii) for a Very Low Income Household, the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit; and

(iv) for a Very Very Low Income Household, the product of thirty percent (30%) times thirty five percent (35%) of Area Median Income adjusted for family size appropriate for the Assisted unit.

Except to the extent "grandfathered" or otherwise exempted by state law, the foregoing definition of "Affordable Housing Cost" shall be deemed amended to correspond with future amendments of the definition of "affordable rent" in California Health and Safety Code Section 50053.

"Area Median Income," or "AMI," shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area as adjusted for family size and defined by the United States Department of Housing and Urban Development (HUD), or any successor entity designated under state law as responsible for establishing such "Area Median Income."

Owner shall specifically provide in each HOME Assisted Unit lease and shall strictly enforce the requirement that each HOME Assisted Unit be occupied at all times by the eligible household who has leased that HOME Assisted Unit, and that any other

occupant of the unit be another qualified member of the lessee's household. The Commission shall be identified as a third party beneficiary of that covenant and shall have the right to directly enforce that restriction in the event Owner fails to do so. Prior to execution of any HOME Assisted Unit lease with respect to the Project, Owner shall submit to the Commission and obtain its written approval of a standard form occupancy lease and Owner shall thereafter use the approved form for all leases of HOME Assisted Units in the Project, with only such further modifications thereto as are first submitted to and approved in writing by the Commission.

The covenants described in this Agreement shall remain in effect through the 55-year Term of this Agreement, notwithstanding the earlier repayment of the Loan by Owner.

b. Tenant Selection Process; Reports and Records Concerning Tenancies. Owner shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by the Commission to monitor compliance with the tenanting requirements described in Paragraph (1)a above, including without limitation the requirement that Owner deliver reports to the Commission commencing at the close of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Owner shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by the Commission to certify such tenant's qualification for occupancy of the Project. Owner's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in this Paragraph (1).

c. Owner shall provide, in accordance with the Supportive Services Agreement or description of services attached to this Agreement as Exhibit "I", certain supportive services for residents of the Project, as described in the Exhibit "I" throughout the Term of this Agreement.

(2) Management of Project. Subject to the terms and conditions contained hereinbelow, Owner shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("Manager") with respect to the operation of the Project, including day-to-day administration, maintenance and repair. Owner shall, before execution or any subsequent amendment or replacement thereof, submit and obtain The Commission's written approval (which shall not be unreasonably withheld, conditioned or delayed) of a management contract ("Management Contract") entered into between Owner and an entity ("Management Entity") reasonably acceptable to the Commission. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of the Commission. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Owner and the Commission. Owner shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding 60 days from Management Entity's receipt of notice of the failure from Owner or the Commission. Owner's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Paragraph (1) of this Agreement.



(3) Operations and Maintenance. Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Owner, that Owner and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the Loan Agreement and the Deed of Trust (as defined in the Loan Agreement).

Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Owner, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any Applicable Governmental Restrictions (as defined below) or the restrictions contained in this Agreement. Furthermore, Owner and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Site or the Project, or any portion thereof.

As used herein, "Applicable Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; the laws specified in the Loan Agreement; and applicable federal, state and local fair housing laws. Owner shall indemnify, defend and hold the Commission harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, award, fine, penalty or liability arising out of Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid in connection with the Project.

Owner shall, at its expense, (i) maintain all improvements and landscaping on the Site in first-class order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project approved by the Commission in accordance with the Loan Agreement and all Applicable Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with Applicable Governmental Restrictions so as to maintain a safe and attractive living environment for Project residents.

(4) Performance of Maintenance.

a. Owner shall maintain in accordance with the Commission Standards, as hereinafter defined, the private improvements, public improvements and landscaping to the curblines on and abutting the Site. Said improvements shall include, but not be limited to, buildings, sidewalks and other paved areas, pedestrian lighting, landscaping, irrigation of landscaping, architectural elements identifying the Site and any and all other improvements on the Site and in the public right-of-way to the nearest curblines abutting the Site.

b. To accomplish the maintenance, Owner shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Agreement.

c. Commission Standards: The following standards ("Commission Standards") shall be complied with by Owner and its maintenance staff, contractors or subcontractors

(i) Ordinary Maintenance Standards - Owner shall maintain the dwelling units and Site in good repair, order and condition at all times in order to assure that the housing on the Site is kept in a decent, safe, and sanitary condition, and that the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition. Owner shall perform any repairs or replacements necessary in order to maintain the Site in accordance with the Ordinary Maintenance Standards, set forth on Exhibit "B" and incorporated herein by this reference.

(ii) Annual Inspection Standards - Owner shall annually inspect the Site in accordance with the Annual Inspection Standards, set forth on Exhibit "C" and incorporated herein by this reference. The completed annual inspection will be documented and reported to the Commission on an annual basis, and at the end of each year Owner shall submit to the Commission a declaration certifying that the annual inspection, as set forth in Exhibit "C", was performed at the Site. Owner shall retain records of the inspection and make them available for review by the Commission at the request of the Commission.

(iii) Preventative Maintenance Standards - Owner shall annually inspect the Site in accordance with the Preventative Maintenance Standards, set forth on Exhibit "D" and incorporated herein by this reference. The completed preventative maintenance work will be documented and reported to the Commission on an annual basis, and at the end of each year Owner shall submit to the Commission a declaration certifying that the preventative maintenance, as set forth in Exhibit "D", was performed at the Site. Owner shall retain records of the inspection and make them available for review by the Commission at the request of the Commission.

(iv) Extraordinary Maintenance. Owner shall perform any extraordinary repairs or replacements necessary in order to maintain the Site, including extraordinary replacement of equipment, betterment, and additions. Extraordinary repairs or replacement consists of major repairs and rehabilitation involving substantial expenditures which usually are needed only at relatively long intervals of time, or are caused by such occurrences as earthquake, fire, obsolescence and, in some instances, neglect. Such items as replacement of roofs, replacement of corroded gas and heating lines, and rehabilitation of landscaping (ground-cover) would be considered in this category.

(v) The Commission may enter and inspect the premises at any time after notifying Owner 72 hours prior to the planned inspection, and said

notice shall be delivered to Owner at the address indicated in paragraph 17(e) below.

(5) Failure to Maintain Improvements. In the event Owner does not maintain the Site improvements to the curbline(s) in the manner set forth herein and in accordance with the Commission Standards, the Commission shall have the right to maintain such private and/or public improvements, or to contract for the correction of such deficiencies, after (i) written notice to Owner stating that the condition of said improvements does not meet with the Commission Standards and specifying the deficiencies and the actions required to be taken by Owner to cure the deficiencies ("Deficiency Notice"); and (ii) the lapse of the applicable "Cure Period," as hereinafter defined. Upon receipt of the Deficiency Notice, Owner shall have thirty (30) days within which to correct, remedy or cure the deficiency, unless such deficiency is not capable of being cured within such 30 day period, then such amount of time as is needed to cure such deficiency provided owner is diligently pursuing cure; provided however, if the Deficiency Notice states the problem is urgent relating to public health and safety, then Owner shall have forty-eight (48) hours to rectify the problem (collectively the "Cure Periods").

In the event Owner fails to correct, remedy, or cure such maintenance deficiency after the Deficiency Notice and after the applicable Cure Period has lapsed, then the Commission shall have the right to maintain such improvements. Owner agrees to pay the Commission, upon demand, charges and costs incurred by the Commission in connection with such maintenance. Until so paid, the Commission shall have a lien on the Site for the amount of such maintenance charges and costs, which lien shall be perfected by the recordation of a "Notice of Claim of Lien" against the Site. Upon recordation of a Notice of a Claim of Lien against the Site, such lien shall constitute a lien on the fee estate in and to the Site prior and superior to all other monetary liens except: (i) all taxes, bonds, assessments, and other levies which by law would be superior thereto; (ii) the lien or charges of any mortgage, deed of trust, or other security interest then of record made in good faith and for value, it being understood that the priority for any such lien for costs incurred to comply with this Agreement shall date from the date of the recordation of the Notice of Claim of Lien. Any such lien shall be subject and subordinate to any lease or sublease of the interest of Owner in the Site or any portion thereof and to any easement affecting the Site or any portion thereof entered into at any time (either before or after) the date of recordation of such a Notice. Any lien in favor of the Commission created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien describing such lien as aforesaid, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgage or beneficiary thereunder expressly subordinates his interest, or record, to such lien. No lien in favor of the Commission created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Upon foreclosure of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any unsatisfied Notice of Claim of Lien, the foreclosure-purchaser shall take title to the Site free of any lien imposed herein by the Commission that has accrued up to the time of the foreclosure sale, and upon taking title to the Site, such foreclosure-purchaser shall only be obligated to pay costs associated with this Agreement accruing after the foreclosure-purchaser acquires title to the Site. If the Site is ever legally divided with the written approval of the Commission and fee title to various portions of the Site is held under separate ownerships, then the burdens of the maintenance obligations set forth herein and in the Agreement and the charges levied by the Commission to reimburse the Commission for the cost of undertaking

such maintenance obligations of Owner and its successors and the lien for such charges shall be apportioned among the fee owners of the various portions of the Site under different ownerships proportionate to the square footage of the land contained in the respective portions of the Site owned by them. Upon apportionment, no separate owner of a portion of the Site shall have any liability for the apportioned liabilities of any other separate owner of another portion of the Site, and the lien shall be similarly apportioned and shall only constitute a lien against the portion of the Site owned in fee by the owner who is liable for the apportioned lien and against no other portion of the Site. Owner acknowledges and agrees the Commission may also pursue any and all other remedies available in law or equity. Owner shall be liable for any and all reasonable attorneys' fees, and other legal costs or fees incurred in collecting said maintenance costs.

(6) [Reserved.]

(7) Owner's Obligation to Refrain From Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Owner itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

Owner shall refrain from restricting the rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection,

location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

c. In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

Nothing in this Paragraph shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

(8) Covenants Run With the Land; Duration of Covenants. The covenants and agreements established in this Agreement shall be covenants running with the land and shall, without regard to technical classification and designation, be binding on Owner and any successor-in-interest to Owner's interest in the Site, or any part thereof, for the benefit of and in favor of the Commission and its successors and assigns. The covenants of this Agreement shall remain in effect through the Term, notwithstanding the repayment of the Loan by Owner prior to the Maturity Date. The covenants contained in Paragraph 7 of this Agreement shall remain in effect in perpetuity.

The Improvements to the curblin(e) and the maintenance thereof touch and concern the Site and inure to the benefit of any and all present or successive owners of the Site. Therefore, whenever the word "owner" is used herein, it shall include the owner as of date of execution of this Agreement, and any and all successor owners or assigns of the Site, and the provisions hereof are expressly binding upon all such successive owners and assigns and the parties agree all such provisions shall run with the land. The Commission shall cause a fully executed copy of this Agreement to be recorded in the Office of the Los Angeles County Recorder. Notwithstanding the foregoing, in the event Owner or its successors or assigns shall convey its fee interest in all or any portion of the Site, the conveying owner shall be free from and after the date of recording such conveyance of all liabilities, respecting the performance of the restrictions, covenants or conditions contained in this Agreement thereafter to be performed with respect to the Site, or any part thereof, it being intended that the restrictions, covenants and conditions shall be binding upon the record owners of the Site only during such time as that person is the owner of the Site, provided that the conveying owner shall remain liable for any actions prior to the date of the conveyance.

(9) Enforcement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that the Commission shall be deemed the beneficiary of the terms and provisions of this Agreement and of the restrictions and covenants running with the land for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit the covenants running with the land have been provided. Each covenant of Owner, shall, without regard to technical classification and designation, inure to the benefit of the successors, transferees and assigns of the Commission for the entire period during which such covenants shall be in force and effect, and shall be binding upon the successors, transferees and assigns of Owner, whether by merger, consolidation, sale, transfer, liquidation or otherwise. Each

covenant in favor of the Commission is for the benefit of the real property owned by the Commission in the area surrounding the Site. The covenants herein running with the land shall also be equitable servitudes upon the Site and each part thereof and shall bind each and every person having any interest in the Site or part thereof, whether such interest is fee, easement, leasehold, beneficial or otherwise, and each successor or assign of such person having any such interest in the Site or part thereof. the Commission shall have the right if any of the covenants set forth in this Agreement which are provided for its benefit are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breach to which it may be entitled. In the event that suit is brought for the enforcement of this Agreement or as the result of any alleged breach hereof, the prevailing party or parties in such suit shall be entitled to recover their reasonable attorneys' fees from the losing party or parties, and any judgment or decree rendered in such proceedings shall include an award thereof. Except for the Commission, the covenants and restrictions contained in this Agreement shall not benefit or be enforceable by any owner of any other real property or any person or entity having any interest in any such other real property.

(10) Compliance with Law. Owner shall comply with all Applicable Governmental Restrictions relating to the uses of or condition of the Site private improvements and public improvements to the curblin(e)s. Local laws for the purposes of this paragraph shall include only those ordinances which are nondiscriminatory in nature and applicable to the public welfare, health, safety and aesthetics. If any new local laws relating to the uses of or condition of the improvements create a condition or situation that constitutes a lawful nonconforming use as defined by local ordinance with respect to the Site or any portion thereof, then so long as the lawful nonconforming use status remains in effect (i.e., until such lawful status is properly terminated by amortization as provided for in the new local law or otherwise), Owner shall be entitled to enjoy the benefits of such lawful nonconforming use pursuant to the lawful nonconforming uses ordinance.

(11) Indemnification and Insurance. From and after the execution of this Agreement, Owner hereby agrees to indemnify and hold harmless the Commission and all its members, directors, agents, officers and employees ("Commission Representatives"), and each of them, from and against all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to the Commission, and claims ("Losses and Liabilities") related directly or indirectly to, or arising out of or in connection with (i) any breach or default by Owner hereunder, (ii) any of Owner's activities on the Site (or the activities of Owner's agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors or independent contractors on the Site), including without limitation the construction of any improvements on the Site or the use or condition of any such improvements, or (iii) any other fact, circumstance or event related to Owner's performance hereunder; provided, however, that the foregoing indemnity shall not extend to any Losses and Liabilities to the extent resulting from the negligence or misconduct of the Commission and/or any the Commission Representatives.

Without limiting Owner's indemnification of the Commission as set forth above, upon Owner obtaining record title to the Site, Owner shall provide and maintain at its sole cost and expense for the periods stated below, the following insurance program from insurers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide:

a. Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least one million dollars (\$1,000,000) for each occurrence (\$2,000,000 General Aggregate), including products and completed operations coverage. The Commission and all the Commission Representatives shall be carried as additional insureds with respect to liability arising from activities performed by or on behalf of Owner, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to the Commission. Said insurance shall be maintained continuously for as long as Owner shall own the Site, and shall be endorsed to require thirty (30) days prior written notice from insurer to the Commission before cancellation or reduction in coverage. Owner shall require its contractor to include the Commission and the Commission Representatives as additional insureds on all general liability insurance covering work at the Site. The policy shall contain a waiver of subrogation for the benefit of the Commission.

b. "All Risk" ISO Special Form property insurance. Coverage shall include debris removal and shall provide protection for earthquake and flood if this protection is available from responsible carriers at reasonable costs. The Commission shall be the loss payee under the aforementioned policy(ies) under a standard lender's loss payable endorsement. The amount of property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property, and the insurer shall waive any coinsurance via an "agreement" endorsement.

c. Workers' Compensation insurance as required by the Labor Code of the State of California and Employer Liability limits of \$1,000,000 per accident.

d. Automobile Liability insurance with a combined single limit of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

Owner shall annually (or more frequently in the event of a change of insurer or policy) deliver to the Commission certificates of insurance with original endorsements evidencing the coverage required by this Agreement. The certificates and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. The Commission reserves the right to require complete certified copies of all policies at any time.

Said insurance may provide for such deductibles or self-insured retention as may be reasonably acceptable to the Commission. In the event such insurance does provide for deductibles or self insurance, Owner agrees that it will protect the Commission and the Commission Representatives in the same manner as these interests would have been protected had full commercial insurance been in effect. If required by the Commission from time to time, Owner shall reasonably increase the limits of its liability insurance to reasonable amounts customary for owners of improvements similar to those on the Site.

Failure on the part of Owner to procure or maintain required insurance shall constitute a material breach of this Agreement under which the Commission may, at the discretion of the Commission, procure or renew such insurance and pay any and all reasonable premiums in connection therewith, and all monies so paid by the Commission shall be repaid by Owner to the Commission upon demand.

(12) Bodily Injury and Site Damage Insurance Requirements. Owner shall indemnify, defend, assume all responsibility for and hold the Commission and its officers, employees, and agents harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including attorneys' fees and court costs), which result from any of Owner's activities under this Agreement, whether such activities or performance thereof be by Owner or anyone directly or indirectly employed or contracted with by Owner and whether such damage shall accrue or be discovered before or after termination of this Agreement.

Owner shall furnish a certificate of insurance and endorsement countersigned by an authorized agent of the insurance carrier on a form of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate and endorsement shall name the Commission, and if available, its officers, agents, and employees, as additional insureds under the policy. The certificate by the insurance carrier shall contain a statement of obligations on the part of the carrier to notify the Commission of any material change, cancellation or termination. Coverage provided hereunder by Owner shall be primary insurance and not contributing with any insurance maintained by the Commission, and the policy shall contain such an endorsement. The insurance policy or the certificate of insurance shall contain a waiver of subrogation for the benefit of the Commission.

(13) Waiver. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The aggrieved party shall give written notice of the default to the party in default in accordance with Paragraph (16) e hereof. The defaulting party shall no longer be in default if the defaulting party cures such default within thirty (30) days after receiving the Default Notice; provided, however, that if such default cannot be reasonably cured within such thirty (30) day period, the defaulting party shall be given such longer period as reasonably necessary (which in the case of a default by Owner shall be as reasonably determined by the Commission) and the defaulting party shall no longer be in default if it commences to cure such default within such thirty (30) day period and completes such cure with reasonable and due diligence.

The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The exercise of any remedy shall not preclude the exercise of other remedies the Commission or Owner may have at law or at equity.

(14) Modification. This Agreement may be modified only by subsequent mutual written agreement executed by Owner and the Commission.

(15) Attorney's Fees. In the event of litigation arising out of any breach of this Agreement, the prevailing party shall be entitled to recover reasonable costs and attorney's fees.

(16) Miscellaneous Provisions.

a. Interpretation. The provisions of this document shall be liberally construed to effectuate its purpose. Time is of the essence of this Agreement.

b. Severability. Invalidation of any of the covenants, conditions, restrictions, or other provisions contained in this Agreement by judgment or court



order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, which shall remain in full force and effect.

c. Headings. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification only, and shall not be deemed to limit or define the contents of their respective sections or paragraphs.

d. Effective Date. This Agreement shall take effect upon its recording in the Office of Los Angeles County Recorder.

e. Notices. Formal notices, demands, and communications between the Commission and Owner shall be given either by personal service, by overnight courier, or by mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the principal offices of the Commission or Owner, as follows:

If to the Commission: Community Development Commission of the County of  
Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Executive Director

With a copy to: Community Development Commission of the County of  
Los Angeles  
Two Coral Circle  
Monterey Park, California 91755-7425  
Attn: Director of Housing Development and Preservation

If to Owner: Beyond Shelter Partnership Housing Development  
Corporation  
520 S. Virgil, Suite 402  
Los Angeles, CA 90020  
Attn: Executive Director  
Fax No. (213) 251-2113

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

f. Exhibits. Each Exhibit mentioned in this Agreement is attached hereto and incorporated herein by this reference.

g. Execution in Counterparts. The parties may execute this document in two or more counterparts; each counterpart shall be deemed an original instrument as against any party who has executed it.

IN WITNESS WHEREOF, the Commission and Owner have caused this instrument to be executed on their behalf by their respective officers hereunto duly authorized as of date first written above.

**COMMISSION:**

COMMUNITY DEVELOPMENT COMMISSION OF THE  
COUNTY OF LOS ANGELES, a public body corporate and  
politic

By: \_\_\_\_\_  
Carlos Jackson  
Executive Director

**APPROVED AS TO FORM:**

Office of the County Counsel

By: \_\_\_\_\_  
Deputy

**BORROWER:**

BY: BEYOND SHELTER PARTNERSHIP HOUSING  
DEVELOPMENT CORPORATION,  
a California non-profit public benefit corporation,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF CALIFORNIA                    )  
  ) SS.  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 200\_\_\_\_, before me \_\_\_\_\_, Notary Public,  
personally appeared \_\_\_\_\_, personally  
known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose  
name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they  
executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s)  
on the instrument the person(s), or the entity upon behalf of which the person(s) acted,  
executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

STATE OF CALIFORNIA                    )  
  ) SS.  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 200\_\_\_\_, before me \_\_\_\_\_, Notary Public,  
personally appeared \_\_\_\_\_, personally  
known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose  
name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they  
executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s)  
on the instrument the person(s), or the entity upon behalf of which the person(s) acted,  
executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

EXHIBIT "A" TO CC&Rs

**LEGAL DESCRIPTION OF SITE**

LOT 138 OF WILLOWBROOK IN THE CITY OF COMPTON, COUNTY OF LOS ANGELES,  
STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6, PAGE 38 OF MAPS, IN THE  
OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 6152-003-004

## EXHIBIT "B" TO CC&Rs

### **Community Development Commission of the County of Los Angeles** **ORDINARY MAINTENANCE AND REPAIRS**

Ordinary maintenance is the routine work of keeping the buildings, grounds, and equipment in such condition that they may be utilized continually at their original or designed capacities and efficiencies for their intended purposes. Minor repair is the restoration of the facility to a condition substantially equivalent to its original capacity. Minor replacement is the substitution of component parts of equipment to extend its useful life.

In order to assure that the housing on the Site is kept in a decent, safe, and sanitary condition, the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition. "Grounds" includes lawns, roads, walks and other paved areas, trees and plants, fences, play areas, drainage facilities, etc. "Buildings" includes roofs, attic spaces, gutters and downspouts, walls, porches, foundations, crawl spaces, windows, floors, doors, etc. "Equipment" covers all items such as utility lines and piping, heating and plumbing equipment, pumps and tanks, ranges and refrigerators, tools, etc.

Set forth below are the standards for the degree of maintenance, repair and cleaning necessary to qualify as "safe, decent and sanitary." The Standards describe the minimum level of cosmetic repair and degree of cleanliness necessary to effectively market the dwelling units and to satisfy the needs of prospective residents. In brief, rental units are to be free of all defects (as described herein) and have an appealing and desirable appearance.

#### **EXTERIOR PROPERTY AREAS**

- A. Sanitation. Yards shall be clean and sanitary. All rubbish, garbage, trash, litter, debris, and abandoned personal property are to be removed from the grass, walks, steps, parking areas, and other grounds, as well as the roofs, gutters and window wells.
- B. Lawn Maintenance. Grounds shall be examined for proper drainage and, if necessary, graded to prevent the accumulation of stagnant water and to prevent water from seeping into building structures. All soil areas shall be sodded or seeded, as necessary, to prevent erosion, except garden areas at scattered sites. Weeds, saplings and uncut grass along the foundations of the house and garage, the fences, the walks, the parking areas, the sidewalk expansion joints and the window wells are to be removed. All grounds are to be free of noxious weeds. Bushes, hedges and trees are to be trimmed, if necessary. Grass shall be cut as often as necessary so that it does not exceed five (5) inches in height. The yard will be raked, as necessary.
- C. Walks and Steps. Cracks and Breakage. All front walks, sidewalks, rear walks, steps, driveways and parking pads shall be maintained in such a manner that there are no cracks or heaves large enough to create a safety hazard. Remove chipped and loose pieces of concrete and asphalt, as needed. Remove all graffiti.

## EXTERIOR STRUCTURES -- DWELLING AND GARAGE

- D. Foundation, Walls, and Roof. All exterior surfaces shall be maintained in good repair. They shall be free of holes, significant cracks, breaks and loose materials to provide a sufficient covering for the underlying structural surface and prevent any moisture from entering the dwelling. If the protective surface is paint, and if more than 25% of the area is blistered, cracked, flaked, scaled, or chalked away, it shall be repainted, weather permitting. All dirt, unsightly stains and graffiti are to be removed. Prime doors shall open and close smoothly. Each prime door shall have a properly working dead bolt lock with a newly changed cylinder.
- E. Screens. Every window shall have a screen which fits tightly and securely to the frame. Each screen shall be free of holes large enough for insects to penetrate or tears longer than 1".
- F. Gutters and Downspouts. If the structure has gutters and downspouts, they are to be secured to the structure and free of leaves and other debris.
- G. Garage. Overhead and service doors are to open and close smoothly and lock. Remove all loose contents from the interior. Wipe up surface oil drippings and spills. Broom sweep the floor.
- H. Faucets. Faucets and handles shall work properly.
- I. Miscellaneous. Mailboxes, guardrails, railings, exterior lights, fences and clothes line poles shall be properly anchored. Doorbells shall operate properly.
- J. Wall Graffiti. Wall graffiti and other unsightly markings on exterior walls are to be removed daily. If the graffiti is offensive in nature (profanity, gang slogans, etc.) it will be removed immediately.

Those deficiencies that are discovered during the winter that require warm weather to properly correct are to be noted for summer repair.

## INTERIOR PROPERTY AREAS

- K. Walls and Ceilings. All holes over one inch in diameter are to be filled. All cracks are to be filled or taped and plastered. All holes of one inch in diameter or less are to be filled if they are present in sufficient number to give the surface an undesirable appearance. All patches are to be sanded smooth. All wet plaster shall be neatly primed. In cases of extensive repair, the entire wall shall be primed.
- L. Doors, Hardware, Room Trim, and Handrails. All surfaces shall be clean and free of splashed or spilled paint. Doors shall open, close and latch smoothly and properly. Door stops shall be installed for each door and be clean and intact. Handrails shall be secure.

- M. Floors, Stairs, Baseboards, and Corners. Remove all rubbish, garbage, trash, litter, debris and abandoned personal property. All surfaces shall be swept or vacuumed. Carpet, if installed, shall be vacuumed, and, if it smells badly, has paint spills, or is dirty or stained, shall be shampooed.
- N. Window Areas. Tracks shall be free from dust, dirt and debris and lubricated so that windows slide smoothly and close tightly. Frames and sills shall be free of dust, dirt and mold. Curtain rods are to be securely installed over each window opening unless drapery rods are already in place. New, or "like new", window shades are to be installed over each bedroom window and non-opaque bathroom window. Dispose of and replace drapes and curtains in poor condition or that are dirty. Window panes shall be intact, i.e., without holes, chips, missing pieces or cracks, except for short corner cracks. Reputty the windows, if necessary. Window locks and other hardware shall function properly.
- O. Electrical Fixtures, Outlets, Switch Plates, and Outlet Plates. Each light fixture socket shall have a working light bulb. Each light fixture in the living areas shall have a clean globe, lens or shade. Test each switch, socket, and outlet and repair, if necessary. Light switch cover plates and electrical outlet cover plates shall be clean, i.e., free of dirt, grease, grime and paint, and shall be in good condition and intact, i.e., free of chips and cracks.
- P. Plumbing Fixtures.
- i. Faucets shall have adequate water flow. Handles shall turn "on" and "off" easily and smoothly. Faucets shall not leak when "on" or "off." Each faucet shall have a properly installed and functioning aerator, if so designed.
  - ii. Drains shall be tested by a 30-second luke warm water run to assure no leakage. Water shall empty from the sinks and tubs quickly. The drain pipe shall look and feel dry. Each drain shall have a stopper or a basket.
  - iii. Sinks and tubs shall be free of surface cracks or chips over one inch in length.
  - iv. Toilets shall operate properly. Toilet seats and covers shall be in "like new" condition with no surface finish loss whatsoever.
  - v. Other plumbing and related fixtures, such as kitchen sprayers, shower doors, and water main shutoffs shall work properly.
- Q. Cabinets. Kitchen, medicine and other storage cabinets doors and drawers shall open and close freely. The attendant hardware shall be clean, secure, and operate properly.
- R. Stoves. All parts shall work properly. The exhaust fan filter shall be changed or washed, if applicable. Each oven shall have an appliance bulb, broiler drip pan and cover and two oven racks.

- S. Heat Vents, Grilles, and Cold Air Return Grates. There shall be no broken or bent grille work. Grilles and grates shall be kept free of dirt, dust, grime and debris.
- T. Thermostat and Smoke Detector. The thermostat and smoke detector shall be clean, intact, free of paint and tested to operate properly.
- U. Basement. The ceiling, window openings, walls, pipes, ductwork, furnace and water heater are to be free of dirt, grease, spider webs and cobwebs. The floor shall be broom swept clean of loose dirt and litter. Windows and laundry tubs shall be washed if dirty. Laundry plumbing shall operate properly. Any basement bathroom interior and fixtures shall be kept clean. The furnace and water heater shall be tested to work properly, and furnace filter replaced as needed. Cap and close valve on unused gas lines. Seal dryer vent.
- V. Attic. Accessible attics shall be free of litter.
- W. Common Areas. The common areas and the entrances shall be inspected, repaired, and cleaned as necessary.
- X. Pest Control. The Site shall be free of all insect vermin. Remove all insect vermin. Inspect for other vermin and exterminate, if necessary.



## EXHIBIT "C" TO CC&Rs

### **Community Development Commission of the County of Los Angeles** **ANNUAL INSPECTION STANDARDS**

In order to ensure that all units are maintained in a safe, sanitary, decent condition, the Commission shall conduct a planned annual physical inspection of each dwelling unit, every building, and all other facilities with a record of any item requiring repair or replacement. This will include such items as plaster repairs, painting, termite inspection, roof deterioration, overloading of electric circuits, corrosion control, floors, windows and screens, ranges, refrigerators, fixtures and equipment. The inspection shall be made to the following standard:

#### **DWELLING UNIT -**

FLOORS (CARPET): Clean; no tears; no readily noticed marks or stains.

FLOORS (VINYL TILE): Clean; unbroken; no cracks; no unmatched tiles.

WALLS (PAINTED): Clean; smooth, unbroken surface (no holes); no marks; no peeling paint; covering at floor intact, clean.

WALLS (CERAMIC TILE): Tiles in place, secure, uncracked, unmarked (and free of paint); grout intact, uncracked, clean; covering at floor intact, clean.

CEILINGS (SPACKLED): Clean, consistent texture; no marks; no surface breaks.

WINDOWS: Clean; glass unbroken, uncracked; frames secure; latches secure and easily operated; movable parts operate smoothly and easily; screens in place, untorn, movable parts operate smoothly and easily; weather stripping intact and secure.

DRAPES: In place; clean, uniform appearance; no holes, tear; operating mechanism in place, opens/closes smoothly and easily.

DOORS: Door and jambs intact and secure; surface unbroken and with uniform, finished appearance; hardware (hinges, knobs, locks) operate smoothly and easily; door stops in place, secure.

CLOSET FIXTURES: Rods, shelves in place, clean, unbroken and unmarked.

ELECTRIC RECEPTACLES AND WALL SWITCHES: Fixtures and cover plates intact and unbroken; 110 volt service available; surfaces clean with no evidence of burns on the cover plates. Bathroom and kitchen receptacles protected by Ground Fault Interrupters.

LIGHT FIXTURES: Lamps, sockets, covers and control devices in place, intact, clean, secure, unbroken and operable.

HEATING, AIR COOLING EQUIPMENT: Thermostat operating properly (room temperature within 5 degrees of setting); heating zone valve leak-free; base-board heating fixtures intact, clean.

VENTILATION FANS/HOODS: Fans and lights operable without excessive noise or vibration; filters in place, intact and clean.

KITCHEN CABINETS: Doors, drawers, shelves and hardware in place, clean, intact; surfaces of smooth, unbroken, uniform appearance; all movable parts operate smoothly and easily.

KITCHEN COUNTERTOPS: Surface smooth, unbroken, unmarked, uniform color.

KITCHEN RANGE: External and internal surfaces intact and clean (including under top cover); controls function smoothly and easily, surface burners, bake and broil elements ignite and maintain design performance; doors and drawers operate smoothly and easily.

GARBAGE DISPOSER: Clean, intact, working properly without excessive noise; splashguard in place, intact, firm.

SINKS: Faucets operate providing a sufficient flow of water (2 to 3 gallons/minute) and shut off free of drips; no evidence of water leakage on top of sink or at drain under sink; drains flow freely with no backup with faucets open fully; sink surface clean, unbroken with no marks or discoloration.

BATHTUB/SHOWER: Faucets operate providing a sufficient flow of water (3 to 5 gallons/minute) and shut off free of drips; drains flow freely with no backup with faucets open fully; tub surface clean, unbroken with no marks or discoloration; grout intact, clean and unbroken; hot water temperature between 105 and 120 degrees (110 degrees at the tap recommended).

MEDICINE CABINET: In place, intact, mounted securely; surface unbroken; mirror intact, clean, uncracked; shelves in place, clean, intact; door intact, operates smoothly and easily, closes securely.

BATHROOM SINK COUNTERTOP: Clean, intact; surfaces of smooth, unbroken, uniform appearance.

BATHROOM TOWEL BARS, GRAB BARS, SOAP DISH AND TOILET PAPER HOLDER: In place, clean, intact and secure.

TOILET: Intact, mounted securely; no evidence of leakage at the wax ring; no evidence of softness or spring in the toilet base; flushed properly draining all solid waste; after flush, tank refills quickly (20 to 30 seconds); no water leakage into the tank or into the bowl at completion of the flush cycle; seat secure, with clean unbroken surface.

PESTS, VERMIN: No evidence of presence/infestation.

SMOKE DETECTORS: Operate when tested with approved smoke-tester.

SAFETY EQUIPMENT: Fire extinguishers inspected and adequately charged.

INTERCOM AND REMOTE DOOR OPENER: Audible transmission and effective door latch operation.

## **COMMON AREAS, GROUNDS AND STRUCTURES -**

LOBBY AND HALLWAY FLOORS (CARPET): Free of obstruction and litter; clean; no tears, marks, stains; carpet seams secure.

LOBBY AND HALLWAY FLOORS (VINYL TILE): Free of obstruction and litter; clean; unbroken; no cracks; no unmatched tiles.

WALLS AND CEILINGS (PAINTED): Clean; free of defacing; smooth, unbroken surface (no holes); no marks; no peeling paint; covering at floor intact, clean.

INTERIOR AND EXTERIOR LIGHT FIXTURES: Lamps, sockets, covers and control devices in place, intact, clean, secure, unbroken and operable.

DOORS: Door and frames intact and secure; surface unbroken and with uniform, finished appearance (free of defacing); hardware (hinges, knobs, locks) operate smoothly and easily; door stops in place, secure.

MAILBOXES: Clean; clearly labeled; individual boxes secure.

FIRE EXITS: Doors and exits smoothly and easily operable; signs clearly marked, visible secure and intact.

UNIT ENTRANCES: Unit number clearly identified; doors secure (see Unit Inspection Form).

TRASH ROOMS, MAINTENANCE SHOP AND STOREROOM AND UTILITY ROOMS: Clean, free of odors; doors in place and secure; stored items orderly.

FIRE ALARM SYSTEMS: Inspected by safety inspectors within specified frequency.

FIRE EXTINGUISHERS: In place; filled; inspected with specified frequency.

ELEVATORS: Odor-free; floors and walls of cab clean, free of defacing, smooth, unbroken surface (no holes), no marks; doors working properly; floor buttons working properly; floor number clearly marked and visible in each hallway at the elevator exit; ventilation fan operating quietly; emergency call system functioning as designed; equipment inspected and maintenance work performed on contract schedule.

DRIVEWAYS AND PARKING LOTS: Clean; litter and graffiti-free; free of obstructions (especially abandoned or inoperable vehicles); surface unbroken, free of oil stains; painted stripes clearly visible; handicapped parking signs clearly visible.

## **GROUNDS AND STRUCTURES**

SIDEWALKS AND STAIRWELLS: Clean; litter and graffiti-free; free of obstructions; smooth, unbroken surface (free of tripping hazards).

UTILITY METERS: Intact, covers secure.

TRASH AREAS: Free of debris; containers and covers secure, free of graffiti, in good repair.

ROOFS: Surface unbroken; no sign of puddling; free of litter, foreign objects; flashing intact and sealed; stacks and vents free of obstruction; gutters and downspouts clean, clear and secure.

LAWNS: Grass trimmed to no more than 5" high; litter-free; borders edged; weed-free; no bare spots.

TREES AND SHRUBS: Trimmed and pruned in season; no obstruction of walkways or overhang.

## EXHIBIT "D" TO CC&RS

### **Community Development Commission of the County of Los Angeles** **PREVENTATIVE MAINTENANCE STANDARDS**

Preventive maintenance based on regular methodical inspections is the action taken to avoid or minimize the need for more costly measures at some future time. It is performed prior to actual breakdown thereby preventing costly replacements and, in the case of operating equipment, lengthy shutdown. Effective preventive maintenance reduces long-range operating costs and lessens the necessity for major restorations and improvements. Preventive maintenance shall include, but is not limited to, the following, and shall include all other items affecting the health and safety of the tenants (pursuant to California Health & Safety Code 17910 *et seq.*):

Scheduled checking, adjusting, cleaning, and lubricating heating equipment.

Periodic inspection of ranges, hot water heaters, and space heaters for mechanical performance and for needed replacement of worn or broken parts.

Inspecting, servicing, and replacing worn parts in electro-mechanical equipment.

Checking and repairing plumbing fixtures, toilet tanks, drains, condition of porcelain, etc.

Termite and vermin inspection and elimination, by a Commission licensed firm.

Periodic interior and exterior painting.

Inspecting and patching roofs, gutters, downspouts, and flashing.

Inspecting underground facilities for corrosion and control thereof.

Inspecting for condensation, dampness, and fungus in wood and for rust in iron components and taking appropriate corrective measures.

Patching paved surfaces and sealcoating, as needed.

Correcting erosion and drainage deficiencies.

Fertilizing and cultivating planted areas.

Installing protective barriers, where needed, for planted areas and trees.

Checking fire safety equipment for operable use.

Caulking around bathtubs, tiles, countertops, windows, and doors to avoid water damage.

Administration and implementation of the preventative maintenance program shall be performed on the following schedule or a schedule approved by the Commission prior to implementation:

- |     |  |          |
|-----|--|----------|
| 1.  | Annual Dwelling Inspections and Corrections          | 1 year   |
| 2.  | Heating Furnace Services:                            |          |
|     | Minor Inspections and Services                       | 3 months |
|     | Major Inspections and Services                       | 2 years  |
| 3.  | Fire Extinguisher and Alarm Inspections and Services | 1 month  |
| 4.  | Range Hood and Motor Inspections and Services        | 1 year   |
| 5.  | Project Site Inspections and Corrections             | 1 year   |
| 6.  | Roofing Inspections and Corrections                  | 1 year   |
| 7.  | Project Fencing Inspection                           | 1 year   |
| 8.  | Security Lighting Inspections and Services           | 1 year   |
| 9.  | Trees and Shrubbery Inspections and Corrections      | 1 year   |
| 10. | Water Heater Inspections and Services                | 1 year   |
| 11. | Sewer Lift Station Inspections and Services          | 6 months |
| 12. | Septic Tank Inspections and Services                 | 1 year   |
| 13. | Street Pavement Inspections and Corrections          | 1 year   |
| 14. | Weather Stripping and Caulking                       | 1 year   |
| 15. | Interior Painting of Units                           | 5 years  |
| 16. | Exterior Painting of Units:                          |          |
|     | Wood siding and trim                                 | 3 years  |
|     | Brick walls, stucco walls and steel sash             | 5 years  |

**EXHIBIT "F" TO LOAN AGREEMENT**

**GRANT DEED**

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL THIS DEED AND, UNLESS  
OTHERWISE SHOWN BELOW, MAIL TAX STATEMENT TO:

Name

Community Development Commission

Street

Address

2 Coral Circle

City &

State

Zip

Monterey Park, CA 91755

Title Order No. \_\_\_\_\_ Escrow No. \_\_\_\_\_

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**Grant Deed**

THE UNDERSIGNED GRANTOR(s) DECLARE(s)

DOCUMENTARY TRANSFER TAX IS \$ 0 \_\_\_\_\_

☐ \_\_\_\_\_ unincorporated area ☐ City of \_\_\_\_\_

Parcel No. \_\_\_\_\_

☐ computed on full value of interest or property conveyed, or

☐ computed on full value less value of liens or encumbrances remaining at time of sale, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

hereby GRANT(s) to

Beyond Housing Development Corporation, Inc.

the following described real property in the

county of Los Angeles, state of California:

Lot 138 of Willowbrook in the City of Compton, County of Los Angeles, State  
of California, as per Map recorded in Book 6, Page 38 of Maps, in the Office  
of the County Recorder of said County.

Dated \_\_\_\_\_

STATE OF CALIFORNIA

COUNTRY OF \_\_\_\_\_ } S.S.

On \_\_\_\_\_ before me,

\_\_\_\_\_ a Notary Public in and for said County and State, personally appeared

personally known to me (or proved to me on the basis of satisfactory  
evidence) to be the person(s) whose name(s) is/are subscribed to the  
within instrument and acknowledged to me that he/she/they executed  
the same in his/her/their authorized capacity(ies), and that by his/her/  
their signature(s) on the instrument the person(s), or the entity upon  
behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature \_\_\_\_\_

(this area for official notarial seal)

MAIL TAX STATEMENTS TO PARTY SHOWN ON FOLOWING LINE; IF NO PARTY SHOWN MAIL AS DIRECTED ABOVE

Name

Street Address

City & State



## EXHIBIT "G" TO LOAN AGREEMENT

### PROJECT DESCRIPTION

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

Site consists of one twelve-unit apartment building in very poor condition. All units are two-bedroom with the same layout and form a "U" around a small courtyard to the east. Upstairs and downstairs layouts are identical. Bedrooms are small (approx. 10x10). Nothing is ADA compliant. Two flights of stairs and an upper walkway provide access to the second story units. All units are unoccupied.

The proposed project involves the demolition of the existing structure and a new building, consisting of two-bedroom units in a combination of flats and town homes.

The project is designed to serve families earning at or below 50% of area median income. Services will be provided through an agreement with Beyond Shelter. There will be classes and case manager visits provided on site, as well as a variety of referrals to their network of assistance organizations.

**EXHIBIT “H” TO LOAN AGREEMENT**

**INTENTIONALLY OMITTED**

**EXHIBIT "I" TO LOAN AGREEMENT**  
**SUPPORTIVE SERVICES AGREEMENT**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

(To Be Attached)

**EXHIBIT "J" TO LOAN AGREEMENT**

**COMMISSION REQUIREMENTS**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

## COMMISSION REQUIREMENTS

The Borrower agrees to comply with the following Commission requirements:

1. Termination for Improper Consideration

Commission may, by written notice to the Borrower, immediately terminate the right of the Borrower to proceed under this Agreement if it is found that consideration, in any form, was offered or given by Borrower, either directly or through an intermediary, to any Commission officer, employee or agent with the intent of securing this Agreement or securing favorable treatment with respect to the award, amendment or extension of this Agreement or the making of any determinations with respect to the Borrower's performance pursuant to this Agreement. In the event of such termination, Commission shall be entitled to pursue the same remedies against the Borrower as it could pursue in the event of default by the Borrower.

The Borrower shall immediately report any attempt by a Commission officer or employee to solicit such improper consideration. The report shall be made either to Commission's Executive Director or his designee.

Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

2. Confidentiality of Reports

The Borrower shall keep confidential all reports, information and data received, prepared or assembled pursuant to performance hereunder. Such information shall not be made available to any person, firm, corporation or entity without the prior written consent of Commission.

3. Commission's Quality Assurance Plan

Commission will evaluate Borrower's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which Commission determines are severe or continuing and that may place performance of the Agreement in jeopardy, if not corrected, will be reported to the Board of Commissioners. The report will include improvement/corrective action measures taken by Commission and Borrower. If improvement does not occur consistent with the corrective measure, Commission may terminate this Agreement or seek other remedies as specified in this Agreement.

4. Borrower's Warranty of Adherence to Commission's Child Support Compliance Program

Borrower acknowledges that the Commission has established a goal of ensuring that all individuals who benefit financially from the Commission through contract are in compliance with their court-ordered child, family and spousal support obligations, in order to mitigate the economic burden otherwise imposed upon Los Angeles County and its taxpayers.

Without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance and shall during the term of this Agreement maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California

Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

5. Termination For Breach of Warranty to Maintain Compliance With Commission's Child Support Compliance Program

Failure of Borrower to maintain compliance with the requirements set forth in Paragraph 4, "Borrower's Warranty of Adherence to Commission's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to the Commission under any other provision of this Agreement, failure to cure such default within 90 calendar days of written notice shall be grounds upon which the Commission may terminate this Agreement pursuant to said paragraph 4 and pursue debarment of Borrower, pursuant to Commission policy.

6. Independent Contractor

This Agreement does not, is not intended to, nor shall it be construed to create the relationship of agent, employee or joint venture between the Commission and the Borrower.

7. Drug-Free Workplace Act of the State of California

Borrower certifies under penalty of perjury under the laws of the State of California that the Borrower will comply with the requirements of the Drug-Free Workplace Act of 1990.

8. Compliance with Laws

The Borrower agrees to be bound by applicable federal, state and local laws, regulations, and directives as they pertain to the performance of this Agreement. If the compensation under this Agreement is in excess of \$100,000 then Borrower shall comply with applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 18579h), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency Regulations (40 CFR part 15).

The Borrower must obtain and present all relevant state and local insurance, training and licensing pursuant to services required within this Agreement.

Borrower shall comply with the following laws:

9. Civil Rights Act of 1964, Title VI (Non-discrimination in Federally Assisted Programs)

Borrower shall comply with the Civil Rights Act of 1964 Title VI which provides that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

10. Section 109 of the Housing and Community Development Act of 1974

Borrower shall comply with Section 109 of the Housing and Community Development Act of 1974 which states that no person in the United States shall, on the grounds of race, color,

national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

11. Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973

Borrower shall comply with the Age Discrimination Act of 1975 and section 504 of the Rehabilitation Act of 1973, which require that no person in the United States shall be excluded from participating in, denied the benefits of, or subject to discrimination under this Agreement on the basis of age or with respect to an otherwise qualified disabled individual.

12. Executive Order 11246 and 11375, Equal Opportunity in Employment (Non-discrimination in Employment by Government Contractors and Subcontractors)

Borrower shall comply with Executive Order 11246 and 11375, Equal Opportunity in Employment which requires that during the performance of this Agreement, the Borrower will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.

The Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

The Borrower will send to each labor union or representative of workers with which he has a collective bargaining Agreement or other contract or understanding, a notice to be provided by the agency of the Borrower's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Borrower will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

The Borrower will furnish all information and reports required by the Executive Order and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of Borrower's noncompliance with the non-discrimination clauses of this Agreement or with any of such rules, regulations or orders, this Agreement may be canceled, terminated or suspended in whole or in part and the Borrower may be declared ineligible for further Government contracts in accordance with procedures authorized in the Executive Orders and such other sanctions may be imposed and remedies invoked as provided in the Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

The Borrower will include the provisions of these paragraphs in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of the Executive Order No. 11246 of September 24, 1965, that such provisions will be binding upon each subcontractor or vendor. The Borrower will take such actions with respect to any subcontract or purchase order as Commission may direct as a means of enforcing such provisions including sanctions for noncompliance, provided however, that in the event the Borrower becomes involved in, or is threatened with litigation by a subcontractor or vendor as a result of such direction by Commission, the Borrower may request the United States to enter into such litigation to protect the interests of the United States.

13. Notice to Employees Regarding the Federal Earned Income Credit

Borrower shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service Notice 1015.

14. Use of Recycled-Content Paper Products

Borrower agrees to use recycled-content paper to the maximum extent possible on the Project in order to reduce the amount of solid waste deposited at the County landfills.

15. Borrower Responsibility and Debarment

- A. A responsible Borrower is a Borrower who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the policy of the Commission to conduct business only with responsible Borrowers.
- B. The Borrower is hereby notified that if the Commission acquires information concerning the performance of the Borrower on this or other contracts which indicates that the Borrower is not responsible, the Commission may, in addition to other remedies provided in the contract, debar the Borrower from bidding on Commission contracts for a specified period of time not to exceed 3 years, and terminate any or all existing contracts the Borrower may have with the Commission.
- C. Commission may debar a Borrower if the Board of Commissioners finds, in its discretion, that the Borrower has done any of the following: (1) violated any term of a contract with the County, the Commission or the Housing Authority of the County of Los Angeles (HACOLA), (2) committed any act or omission which negatively reflects on the Borrower's quality, fitness or capacity to perform a contract with the County, the Commission or HACOLA or any other public entity, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County, the Commission or HACOLA or any other public entity.
- D. If there is evidence that the Borrower may be subject to debarment, Commission will notify the Borrower in writing of the evidence which is the basis for the proposed debarment and will advise the Borrower of the scheduled date for a debarment



hearing before the Contractor Hearing Board.

- E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Borrower and/or the Borrower's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether the Borrower should be debarred, and, if so, the appropriate length of time of the debarment. If the Borrower fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, the Borrower may be deemed to have waived all rights of appeal.
- F. A record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Commissioners. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.
- G. These terms shall also apply to subcontractors of Commission Borrowers.

16. Section 3 of the Housing and Community Development Act of 1968, as Amended

- A. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons; particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.
- C. The Borrower agrees to send to each labor organization or representative of workers with which the Borrower has a collective bargaining Agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Borrower's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The Borrower agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. The Borrower will not subcontract with any subcontractor where the Borrower has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.
- E. The Borrower will certify that any vacant employment positions, including training

positions, that are filled (1) after the Borrower is selected but before the Agreement is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the Borrower's obligations under 24 CFR Part 135.

- F. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this Agreement. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this Agreement that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

17. Barriers For the Disabled

The Project shall be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

18. Lead-Based Paint

Borrower and its contractors and subcontractors shall not use lead-based paint in construction or maintenance of the Project. Borrower shall cause this provision to be incorporated in all contracts and subcontracts for work performed on the Site which involve the application of paint.

19. Notice To Employees Regarding The Safely Surrendered Baby Law

Borrower shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is available on the Internet at [www.babysafela.org](http://www.babysafela.org) for printing purposes.

20. Borrower's Acknowledgment of Commission's Commitment To The Safely Surrendered Baby Law

Borrower acknowledges that the Commission places a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is the Commission's policy to encourage all Commission Borrowers to voluntarily post the "Safely Surrendered Baby Law" poster in a prominent position at the Borrower's place of business. Borrower will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The Department of Children and Family Services of the County of Los Angeles will supply Borrower with the poster to be used.

21. Lobbyist Ordinances

Federal Lobbyist Requirements: Borrower is prohibited by the Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments, and HUD's 24 CFR Part 87, from using federally appropriated funds for the purpose of influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, loan or cooperative Agreement, and any extension, continuation, renewal, amendment or modification of said documents.

Borrower must certify in writing on the Federal Lobbyist Requirements Certification form that they are familiar with the Federal Lobbyist Requirements and that all persons and/or subcontractors acting on behalf of the Borrower will comply with the Lobbyist Requirements.

Failure on the part of the Borrower or persons/subcontractors acting on behalf of the Borrower to fully comply with the Federal Lobbyist Requirements may be subject to civil penalties.

**EXHIBIT "K" TO LOAN AGREEMENT**

**HOME PROVISIONS**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

## EXHIBIT "K"

### HOME PROGRAM REQUIREMENTS

#### SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

All developments which are assisted using HOME program funds must comply with all of the following federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity, as set forth in 24 CFR part 5, subpart A.

Title VI of the Civil Rights Act of 1964, As Amended (42 U.S.C. 2000d) -- States that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance on the basis of race, color, or national origin. Its implementing regulations may be found in 28 CFR Part 1.

Title VIII of the Civil Rights Act of 1968, As Amended "the Fair Housing Act" (42 U.S.C. 3601) -- Prohibits discrimination in the sale or rent of units in the private housing market against any person on the basis of race, color, religion, sex, national origin, familial status or handicap. Its implementing regulations may be found in 24 CFR Part 100-115.

Equal Opportunity in Housing (Executive Order 11063, As Amended by Executive Order 12259) -- Prohibits discrimination in housing or residential property financing related to any federally assisted activity against individuals on the basis of race, color, religion, sex or national origin. Implementing regulations may be found in 24 CFR part 107.

Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101) -- Prohibits age discrimination in programs receiving federal financial assistance. Its implementing regulations may be found in 24 CFR Part 146.

Equal Employment Opportunity, Executive Order 11246, As Amended -- Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin. Provisions to effectuate this prohibition must be included in all construction contracts exceeding \$10,000. Implementing regulations may be found at 41 CFR Part 60.

#### HOME PROGRAM TENANT MONITORING

All HOME projects must comply with the tenant monitoring procedures established by the Commission in compliance with the HOME Program pursuant to 24 CFR Part 92 Sections 252 and 253.

#### AFFIRMATIVE MARKETING

Use of the Fair Housing logo, or equal opportunity language

A description of what the developer will do to affirmatively market housing assisted with HOME funds.

A description of what developer will do to inform persons not likely to apply for housing without special outreach.

Maintenance of records to document actions taken to affirmatively market HOME-assisted units

and to assess marketing effectiveness.

Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

## SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

### WHAT SECTION 504 REQUIRES

#### Remove Physical Barriers

The usual standards for ensuring compliance with Section 504 are the Uniform Federal Accessibility Standards (UFAS), although deviations are permitted in specific circumstances.

#### Provide Program Accessibility

Individuals with handicaps must be able to find out about, apply for and participate in federally-assisted programs or activities.

Special communication systems may be needed for outreach and ongoing communication (e.g. Telecommunications Device for the Deaf (TDD); materials on tape or in Braille; accessible locations for activities and meetings)

Policies and procedures must be non-discriminatory (e.g., housing providers cannot ask people with handicap questions not asked of all applicants, screen individuals with handicaps differently or assess an individual's ability to live independently.)

#### Make Employment Accessible

Employers must not discriminate (e.g. cannot ask questions not asked to all applicants; cannot require physical examinations before making a job offer.)

Employers must remove physical and administrative barriers to employment

Employers must make reasonable accommodations for individuals with known handicaps (e.g., job restructuring; providing readers or sign interpreters; making facilities accessible.)

#### Meet Administrative Requirements

If recipient(s) or sub recipient(s) have 15 or more employees, they must:

- Designate a Section 504 Coordinator
- Notify program participants and employees of non-discrimination policies.

All recipients and sub recipients must conduct self-evaluations of compliance with Section 504

## COMMUNITY BUSINESS ENTERPRISE

Executive Orders 11625, 12432, and 12138 (Community Business Enterprise)

Developer must prescribe procedures acceptable to HUD for a minority outreach program to

ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. See 24 CFR 85.36(e) of which its appendices provide guidance from HUD on acceptable outreach practices.

#### **SITE AND NEIGHBORHOOD STANDARDS**

Housing provided through the HOME program must promote greater choice of housing opportunities. Specific rules are as follows:

HOME-provided housing must be suitable from the standpoint of facilitating and furthering full compliance with the Title VI of the Civil Rights Act - 1964, the Fair Housing Act, and Executive Order 11063.

**EXHIBIT “L” TO LOAN AGREEMENT**

**INTENTIONALLY OMITTED**



**EXHIBIT "M" TO LOAN AGREEMENT**

**DEVELOPMENT PROFORMA**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

**EXHIBIT "N" TO LOAN AGREEMENT**  
**SPECIAL ENVIRONMENTAL CONDITIONS**

(HOME - PROJECT NO. \_\_\_\_\_)  
(CDBG - PROJECT NO. \_\_\_\_\_)

# Mitigation Monitoring Plan Mason Court Housing Project

This section reflects the mitigation monitoring and reporting program requirements of Public Resources Code Section 21081.6 in accordance with CEQA Guidelines 15097:

*“...In order to ensure that the mitigation measures and project revisions identified in the EIR or negative declaration are implemented, the public agency shall adopt a program for monitoring or reporting on the revisions which it has required in the project and the measures it has imposed to mitigate or avoid significant environmental effects. A public agency may delegate reporting or monitoring responsibilities to another public agency or to a private entity which accepts the delegation; however, until mitigation measures have been completed the lead agency remains responsible for ensuring that implementation of the mitigation measures occurs in accordance with the program.”*

Mitigation Measure	Responsible Party	Monitoring Agency	Monitoring Timing
<b>Historic, Cultural, and Archaeological Resources:</b> No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner will have 24 hours to notify the	Contractor	Community Development Commission	Construction

Native American Heritage Commission			
<b>Solid Waste Recycling:</b> Project design shall incorporate space for separate bins for waste and recyclable materials.	Architect	Community Development Commission	Design
<b>Water Supply:</b> <ol style="list-style-type: none"> <li>To the extent feasible, landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.</li> <li>Structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.</li> </ol>	Landscape Architect          Architect/Contractor	Community Development Commission          Community Development Commission	Design/Operation          Construction
<b>Possible Onsite Hazards:</b> Prior to demolition of onsite structures, the following shall be implemented: <ul style="list-style-type: none"> <li>Testing for asbestos-containing materials and lead-based paint shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations.</li> </ul>	Contractor	Community Development Commission	Construction
<b>Additional Modifications:</b> Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive	Contractor/Operator	Community Development Commission	Design, Pre-Construction, Construction and Operation

Director of the Community Development Commission of the County of Los Angeles. Any modifications must continue to satisfy the requirements of NEPA and CEQA, as determined by the County.			
---	--	--	--

**County of Los Angeles  
Community Development Commission**

**DRAFT MITIGATED NEGATIVE DECLARATION  
CALIFORNIA ENVIRONMENTAL QUALITY ACT**

- PROJECT TITLE:** Mason Court Housing Project
- PROJECT DESCRIPTION:** The proposed project involves the construction of 12 units of affordable multi-family housing. The project site contains one parcel totaling approximately 18,480 square feet (0.42 acres), on which an existing 12-unit, 7,046 square-foot apartment building will be demolished and replaced by a 12-unit, 10,600 square-foot building. Offsite improvements may include replacement or installation of curbs, gutter, and sidewalks.
- PROJECT LOCATION:** The project site is located within the unincorporated community of Willowbrook in Los Angeles County, California. The project site is located at 2129 East El Segundo Boulevard, between North Wilmington Avenue and South Willowbrook Avenue. Figure 1 shows the regional location of the project and Figure 2 shows the location of the project within the community of Willowbrook.

**MITIGATION MEASURES INCLUDED IN THE PROJECT TO AVOID POTENTIALLY SIGNIFICANT IMPACTS:**

The following mitigation measures are required:

1. **Possible Onsite Hazards.** Prior to demolition of onsite structures, the following shall be implemented:
  - Testing for asbestos-containing materials and lead-based shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations.
2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.

4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:

- Landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
- All new structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.

5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

The proposed project is not expected to contribute to significant impacts to the environment and a Finding of No Significant Impact can be made.

**FINDING OF NO SIGNIFICANT EFFECT.** Based on the attached NEPA Environmental Assessment, it has been determined that the project will not have a significant effect on the environment, provided that all suggested mitigation measures are incorporated.

## ***HUD - NEPA - Environmental Assessment***

Project Name and Identification Number: Mason Court Housing Project/2JP01X

---

### ***HUD - NEPA- ENVIRONMENTAL ASSESSMENT***

**Project Name:** Mason Court Housing Project/2JP01X

**Project Location:** The project site is located within the unincorporated community of Willowbrook in Los Angeles County, California. The project site is located at 2129 East El Segundo Boulevard, between North Wilmington Avenue and South Willowbrook Avenue. Figure 1 shows the regional location of the project and Figure 2 shows the location of the project within the community of Willowbrook.

**Assessor's Parcel  
Number(s):** 6152-003-004

**Statement of Need:** The project provides for the development of affordable multi-unit housing and is therefore consistent with the guidelines of the Community Development Block Grant (CDBG) program.

**Project Description:** The proposed project involves the construction of 12 units of affordable multi-family housing. The project site contains one parcel totaling approximately 18,480 square feet (0.42 acres), on which an existing 12-unit, 7,046 square-foot apartment building will be demolished and replaced by a 12-unit, 10,600 square-foot building. Offsite improvements may include replacement or installation of curbs, gutter, and sidewalks.



## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
<b>Land Development</b>							
Conformance With Comprehensive Plans and Zoning	X						The parcel is zoned R-3, Limited Multiple Residence, which allows apartment houses, two family residences (duplex), and single family residences. The proposed multi-family apartment building would be consistent with this designation (a).
Compatibility and Urban Impact	X						The project site is bounded by single-family residences to the north and west, a multi-family residence to the east, and a church across the street to the south (b). The proposed project would not pose any significant conflicts with the scale and type of surrounding development.
Slope	X						The site is generally flat, with a slight slope to the west (b). The proposed development would not involve major topographic modifications or create any significant erosion or sedimentation problems.
Erosion	X						There is no evidence of any substantial erosion problems onsite (b).
Soil Suitability	X						There is no evidence of soil suitability problems on the project site (b). Routine soil tests would need to be conducted to determine foundation design parameters for new structures.
Hazards and Nuisances, Including Site Safety					X		A Phase 1 environmental site assessment did not identify any significant hazards issues. The Phase 1 noted that suspect asbestos-containing materials (ACM) were observed on the subject property, but that an asbestos survey would be required to confirm the presence of ACMs (c). The existing apartment building was constructed in 1961 and may include asbestos-containing materials and/or lead-based paint. If ACMs or lead-based paint are present in structures, demolition could create health risks for construction workers and area residents. Demolition of the buildings will be required to comply with applicable South Coast Air Quality Management District (SCAQMD) regulations regarding asbestos and paint removal.
Energy Consumption	X						Project construction would incrementally increase the consumption of electricity and natural gas, as would the resulting residential units. However, because these resources are available both locally and regionally, no significant impact to the availability of energy resources is expected over the long-term. The project would comply with state energy conservation requirements.
<b>Noise</b>							
Effects of Ambient Noise on Project and Contribution to Community Noise Levels	X						Project construction would generate short-term noise level increases. Local noise ordinances would apply.  The project site is located along a relatively busy road (East El Segundo Boulevard) and 1 block from the electric Metro

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							<p>Blue Line railroad track. Noise levels were measured onsite and included a train event, resulting in a noise level of 59.6 dBA, which falls below HUD's exterior noise threshold of 65 dBA for residential uses. Therefore, noise mitigation measures would not be required during construction of the apartment building.</p> <p>The proposed project is an affordable residential facility and is not expected to significantly affect nearby sensitive receptors. Appropriate design and placement of the project elements would minimize any potential impacts to adjacent residences to the north and west. The proposed project would generate an estimated 84 average daily vehicle trips on local roadways (d). This increase would not significantly affect roadway noise levels.</p>
<b>Air Quality</b>							
Effects of Ambient Air Quality on Project and Contribution to Community Air Pollutant Levels	X						<p>The project site is located in the South Coast Air Basin, which is a nonattainment area for ozone, carbon monoxide, and fine particulate matter (PM<sub>10</sub>). Residents of the proposed units would therefore be exposed to potentially unhealthful ambient air because this regional condition cannot be feasibly mitigated. Traffic associated with the project would incrementally increase air pollutant emissions, but such emissions would not be expected to exceed locally adopted significance thresholds or hinder attainment of federal air quality standards (e).</p> <p>Existing South Coast Air Quality Management District (SCAQMD) regulations restrict the emissions of dust and fumes during construction and the project would be required to conform to these requirements.</p>
<b>Environmental Design and Historic Values</b>							
Visual Quality - Coherence, Diversity, Compatible Use, and Scale		X					<p>The project would involve the development of affordable, multi-family housing. The surrounding neighborhood consists of single-family and multi-family residential developments and a church. The completed project would be compatible with the visual context of the existing neighborhood. The project site currently contains an old apartment building that is in a state of disrepair; therefore, the proposed project would improve visual conditions onsite (b).</p>
Historic, Cultural, and Archaeological Resources					X		<p>Historic and archaeological evaluations have been completed and are attached as appendices to this environmental assessment. The project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction,</p>

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.
<b>Socioeconomic Conditions</b>							
Demographic/Character Changes	X						The proposed project would create new housing for low-income residents. The project would incrementally increase the population in the community but would not significantly change the demographic character of the area.
Displacement	X						The project site currently contains a vacant apartment building (b). Therefore, no displacement would occur. Because the proposed project would provide 12 units of affordable multi-family housing, the project would increase the overall housing supply in the area.
Employment and Income Patterns		X					The project would generate short-term employment opportunities during construction. No adverse impacts to employment or income patterns are expected.
<b>Community Facilities and Services</b>							
Educational Facilities	X						The proposed project would create new housing and would introduce some children to the area. Children would attend King Elementary School, Willowbrook Middle School, and Centennial High School, which the Compton Unified School District has indicated have capacity to serve the increased number of students generated by the project (f). The project would be required to pay school impact fees in accordance with SB 50 to mitigate potential impacts to area schools. Significant impacts to educational facilities are not anticipated.
Commercial Facilities	X						The proposed project would not affect commercial facilities.
Health Care	X						The proposed project would not affect access to health care.
Social Services		X					The proposed project would provide affordable housing for current area residents. No other new services would be required for the proposed project.
Solid Waste					X		Construction activity would generate solid waste in the short-term. All construction activity would be required to implement local policies concerning recycling/reuse of construction wastes.  The proposed project would increase the generation of solid waste over existing conditions. This increase is not expected to significantly affect area landfills. Nevertheless, because of ongoing concerns about regional landfill capacity, project design should accommodate solid waste recycling.
Waste Water	X						The proposed project would increase wastewater generation as compared to current conditions. However,

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							the site is in an urbanized area with wastewater infrastructure in place. Any minor upgrades to wastewater systems needed to serve the project would be implemented in conjunction with site development.
Storm Water	X						The 18,480 square-foot project site currently contains a 7,046 square-foot building, an unpaved, dirt driveway, front yard, and back yard (b). Project development would slightly increase the amount of impervious surface onsite with construction of a 10,600 square-foot building, which could contribute to an incremental increase in runoff and a decrease in water quality. However, the project would comply with local, state, and federal requirements pertaining to water quality of stormwater runoff. Additionally, storm drains would be installed on the site as part of project development and would be sized adequately to accommodate runoff from the site. Therefore, significant impacts are not anticipated.
Water Supply					X		Water service would be provided by Los Angeles Waterworks (g). The project would incrementally increase water consumption as compared to the current use but is not expected to significantly affect water supply. Nevertheless, because of ongoing concerns about water supply in the Southern California region, water conservation measures shall be incorporated into the design of the project.
Public Safety Police	X						The Los Angeles County Sheriff's Department's Compton Station, in the City of Compton, provides police protection services in the project vicinity (h). The station is located at 301 S Willowbrook Ave., 1.8 miles from the proposed project site (i). The proposed project would incrementally increase the demand for police protection services. However, this increase would be nominal and no adverse impacts to police services are expected.
Fire	X						The Los Angeles County Fire Department Station at 119 <sup>th</sup> Street, approximately ¾-mile from the project site (i), would provide fire protection, paramedic, and emergency medical technician services to the proposed development (j). The proposed project would incrementally increase the demand for fire protection services; however, assuming compliance with Fire Department requirements, no adverse impacts to fire protection services are anticipated from development of the project.
Emergency Medical	X						The Los Angeles County Fire Department would provide emergency medical services. Emergency victims would be taken to the Los Angeles County King-Drew Medical Center in Willowbrook or Saint Francis Hospital in Lynwood (j).  No adverse impacts to emergency medical services are anticipated.

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Open Space And Recreation							
Open Space	X						The project would not adversely affect any areas designated as public open space (a).
Recreation	X						Several community parks are located in the project vicinity, including Sibrie Park, Mona County Park, Gonzales Park, Enterprise County Park, and the Earvin Magic Johnson County Recreation Area (i). No adverse impacts to these facilities are expected.
Cultural Facilities	X						The proposed project would not adversely affect any cultural facilities (b).
Transportation	X						The proposed project would incrementally increase traffic on roadways in the project vicinity. However, the area transportation system is in place, including both roadways for car traffic and the near-by metro line public transportation system, and appears to be sufficient to accommodate project-generated traffic. The project would contribute minimally to the overall traffic condition in the area and significant impacts to the area circulation system are not anticipated.
<b>Natural Features</b>							
Water Resources	X						The proposed project would not affect water resources (b).
Surface Water	X						No surface water is located onsite (b). Therefore, no impacts to surface water would occur.
Watercourses	X						The nearest watercourse to the project site is Compton Creek, a channelized creek that is located approximately ¾-mile from the project site. There are no watercourses within the project area or adjacent land uses (b). No impact to watercourses is anticipated.
Unique Natural Features and Agricultural Lands	X						The proposed project would not affect any natural features. No active agricultural lands or agriculturally zoned lands are present within the project area (a, b).
Vegetation and Wildlife	X						The project site is in a highly urbanized area and the only onsite vegetation consists of non-native landscape plants. Common house finches were observed onsite, and the site was reported by a neighbor to periodically house escaped chickens. No important biotic communities exist and no protected wildlife was observed onsite (b). Therefore, the project would not significantly affect vegetation or wildlife.
<b>Long-Term Effects</b>							

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Growth-Inducing Impacts	X						The proposed project would provide infill development in an urbanized area. It includes a housing component that will provide 12 units of multi-family housing; however, the majority of project residents likely already reside elsewhere in the community. Thus, the project would not induce substantial population growth. The project would not require the extension of infrastructure or roadways, since the site has been developed previously and is in a highly urbanized area. Therefore, its potential to induce growth is considered less than significant.
Cumulative Effects	X						The proposed project would provide infill development in an urbanized area. While it would increase the intensity of development on the project site, it would not result in any significant impacts that would be cumulatively considerable.

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
1. Historic Properties 36 CFR 800 (CDBG) 36 CFR 801 (UDAG)					X	Historic and archaeological assessments have been conducted and are attached as appendices to this environmental assessment. Though archaeological resources are not known onsite, work should be halted temporarily in the event that as yet undiscovered resources are uncovered during grading.
2. Floodplain Management 42 FR 26951	X					The project site is located within flood zone X, FEMA panel 065043-0940C, indicating minimal flood potential, as the project lies outside the 500-year flood zone (k).
3. Wetlands Protection 42 FR 26951	X					No wetlands are located on or near the project site (b).
4. Coastal Zone Plan 16 U.S.C. 1451	X					The project site is not located in a coastal zone (i).
5. Sole Source Aquifers 42 U.S.C. 201, 300(g) and 21 U.S.C. 349	X					No impact to primary drinking water sources is anticipated (c).
6. Endangered Species 16 U.S.C. 1531	X					The project site is in an urbanized area. No endangered species are located in the area (b).
7. Wild and Scenic Rivers 16 U.S.C. 1271	X					No wild or scenic rivers are located in the site vicinity (b).
8. Air Quality Protection 42 U.S.C. 7401	X					The project site is located in the South Coast Air Basin, which is a non-attainment area for ozone, carbon monoxide, and fine particulate matter (PM <sub>10</sub> ). Project users would therefore be exposed to potentially unhealthful ambient air because this regional condition cannot be feasibly mitigated.  Traffic associated with the project would incrementally increase air pollutant emissions, but such emissions would not exceed locally adopted thresholds or hinder attainment of federal air quality standards (e).  Existing SCAQMD regulations restrict the emissions of dust and fumes during construction and the project would be required to conform to these requirements.
9. Farmland Protection 7 U.S.C. 4201	X					No agricultural uses are located onsite or in the vicinity of the project (b).

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
10. Environmental Justice Executive Order 12898	X					The project would provide additional employment opportunities in the community during construction and would provide low-income housing for area residents. The project would not expose low-income or minority populations to any environmental justice concerns.
11. HUD Environmental Standards, 24 CFR 51 as amended						
a. Noise Abatement 24 CFR 51B					X	<p>Project construction would generate short-term noise level increases. Local noise ordinances would apply.</p> <p>The project site is located along a relatively busy road (East El Segundo Boulevard) and 1 block from the electric Metro Blue Line railroad track. Noise levels were measured onsite and included a train event, resulting in a noise level of 59.6 dBA, which falls below HUD's exterior noise threshold of 65 dBA for residential uses. Therefore, noise mitigation measures would not be required during construction of the apartment building.</p> <p>The proposed project is an affordable residential facility and is not expected to significantly affect nearby sensitive receptors. Appropriate design and placement of the project elements would minimize any potential impacts to adjacent residences to the north and west. The proposed project would generate an estimated 84 average daily vehicle trips on local roadways (d). This increase would not significantly affect roadway noise levels.</p>
b. Landfill Hazards CPD Letter 79-33	X					The project site is not subject to any known landfill hazards (b).
c. Upset Hazards 24 CFR 51B	X					The project site is not subject to any known upset hazards, nor would the proposed use create any significant upset hazards (b).
d. Flammable Oper. 24 CFR 51C	X					The project site is not subject to any known flammable operations or explosives (b).



## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
e. Toxic/Radioactivity HUD Notice 79-33	<b>X</b>					<p>A Phase 1 environmental site assessment did not identify any significant hazards issues. The Phase 1 noted that suspect asbestos-containing materials (ACM) were observed on the subject property, but that an asbestos survey would be required to confirm the presence of ACMs (c). The existing apartment building was constructed in 1961 and may include asbestos-containing materials and/or lead-based paint. If ACMs or lead-based paint are present in structures, demolition could create health risks for construction workers and area residents. Demolition of the buildings will be required to comply with applicable South Coast Air Quality Management District (SCAQMD) regulations regarding asbestos and paint removal.</p> <p>The project site is not subject to any known radioactivity (c).</p>
f. Airport Clear Zones 24 CFR 51D	<b>X</b>					<p>The closest airport to the project site is the Compton Airport, located approximately two miles south of the project site. The project site is not in an airport clear zone (i).</p>

## ***HUD - NEPA - Environmental Assessment***

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

---

### **Summary of Findings and Conclusions:**

The proposed project involves the construction of 12 units of multi-family affordable housing. The project site contains one parcel totaling approximately 18,480 square feet (0.42 acres), on which an existing 12-unit, 7,046 square-foot apartment building will be demolished and replaced by a 12-unit, 10,600 square-foot building. The parcel that comprises the project site is zoned R-3, Limited Multiple Residence, a designation that allows residential uses. Neighboring land uses consist of residential and church uses. The proposed project would generally be compatible with the scale and visual character of the surrounding area.

The project would not generate any significant noise impacts, nor would it be subject to noise in excess of HUD standards for residential uses. The project site currently contains a vacant apartment building, which will be demolished as part of project activities. As the building is unoccupied, displacement of residents would not occur.

No watercourses or water resources are located in the project area. No threatened or endangered wildlife was observed on the site. Asbestos-containing materials and lead-based paint could be present in onsite structures and, if present, would need to be removed in accordance with applicable regulations by a certified contractor.

The project would not significantly affect public facilities. Implementation of the project would create short-term employment opportunities during construction and would not affect long-term employment patterns. The proposed project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The proposed project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The project is located outside the 500-year flood area, indicating minimal flood potential in the area.

The project would conform to all applicable federal, state, and regional air pollution control regulations, both short- and long-term, and would not significantly affect local or regional air quality. The project would incrementally increase daily traffic volumes in the immediate area; however, project-generated traffic would not significantly affect local roadways.

### **Summary of Environmental Conditions:**

The project site is currently comprised of a single parcel containing a vacant, 12-unit apartment building. Unkempt, non-native landscape plants and common bird species, such as house finch, occur onsite. The driveway associated with the vacant housing structure is an unpaved dirt lot, and the front and back yards consist of dirt lots with ruderal plant growth.

## ***HUD - NEPA - Environmental Assessment***

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

---

### **Project Modifications and Alternatives Considered:**

No unavoidably significant impacts were identified for the proposed project. Therefore, project alternatives or modifications have not been considered.

### **Mitigation Measures Required:**

The following mitigation measures are required:

1. **Possible Onsite Hazards.** Prior to demolition of onsite structures, the following shall be implemented:
  - Testing for asbestos-containing materials and lead-based shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.
2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
  - To the degree feasible, landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
  - All new structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

## ***HUD - NEPA - Environmental Assessment***

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

---

### **References:**

- a. Los Angeles Department of Regional Planning web site, <<http://planning.co.la.ca.us>> (ELECTRONIC)
- b. Meighan Jackson, Rincon Consultants, Site Visit, July 7, 2004. (FIELD)
- c. Earth Tech, Inc., *Phase I Environmental Site Assessment, Apartment Building, 2129 East El Segundo Boulevard, Willowbrook, California*. July 9, 2002. (PRINTED)
- d. Institute of Transportation Engineers, Trip Generation, 6<sup>th</sup> Edition, 1997. (PRINTED)
- e. South Coast Air Quality Management District (November 1999), CEQA Air Quality Handbook. (PRINTED)
- f. Compton Unified School District, personal communication, July 8, 2004. (CONTACT)
- g. City of Compton Municipal Water Department, personal communication, July 8, 2004. (CONTACT)
- h. Los Angeles County Sheriff's Department, personal communication, July 8, 2004. (CONTACT)
- i. Thomas Brothers Maps, Los Angeles County, 2002. (PRINTED)
- j. Los Angeles County Fire Department, personal communication, July 8, 2004. (CONTACT)
- k. Federal Emergency Management Agency (FEMA) maps website, <<http://www.fema.gov/fhm>> (ELECTRONIC)

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project/2JP01X

---

1. Is the project in compliance with applicable laws and regulations? ☒ Yes ☐ No
2. Is an EIS required? ☐ Yes ☒ No
3. A Finding of No Significant Impact (FONSI) can be made. The project will not significantly affect the quality of the human environment. ☒ Yes ☐ No

### Basic Reasons Supporting Decision:

The proposed project involves the construction of 12 units of multi-family affordable housing. The project site contains one parcel totaling approximately 18,480 square feet (0.42 acres), on which an existing 12-unit, 7,046 square-foot apartment building will be demolished and replaced by a 12-unit, 10,600 square-foot building. The parcel that comprises the project site is zoned R-3, Limited Multiple Residence, a designation that allows residential uses. Neighboring land uses consist of residential church uses. The proposed project would generally be compatible with the scale and visual character of the surrounding area.

The project would not generate any significant noise impacts, nor would it be subject to noise in excess of HUD standards for residential uses. The project site currently contains a vacant apartment building, which will be demolished as part of project activities. As the building is unoccupied, displacement of residents is not a concern.

No watercourses or water resources are located in the project area. No threatened or endangered wildlife was observed on the site. Asbestos-containing materials and lead-based paint could be present in site structures and, if present, would need to be removed in accordance with applicable regulations.

The project would not significantly affect public facilities. Implementation of the project would create short-term employment opportunities during construction and would not affect long-term employment patterns. The proposed project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The proposed project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The project is located outside the 500-year flood area, indicating minimal flood potential in the area.

The project would conform to all applicable federal, state, and regional air pollution control regulations, both short- and long-term, and would not significantly affect local or regional air quality. The project would incrementally increase daily traffic volumes in the immediate area; however, project-generated traffic would not significantly affect local roadways.

## HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Mason Court Housing Project / 2JP01X

---

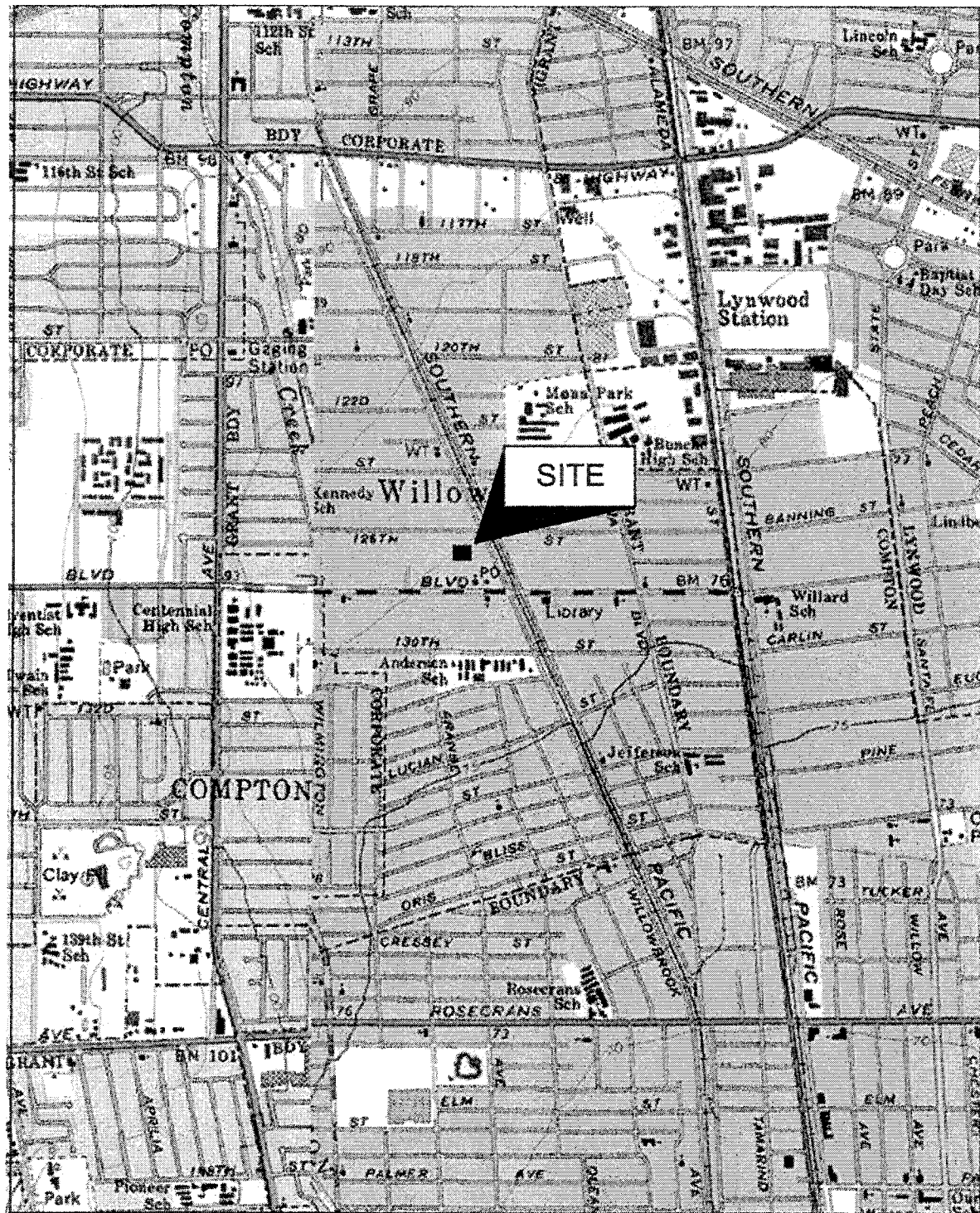
The following mitigation measures are required:

1. **Possible Onsite Hazards.** Prior to demolition of onsite structures, the following shall be implemented:
  - Testing for asbestos-containing materials and lead-based shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.
2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
  - To the degree feasible, landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
  - All new structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

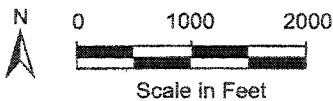
Prepared by:	<u>Meighan Jackson, MESM</u>	Title:	<u>Associate Planner/Biologist</u>
Date:	<u>July 12, 2004</u>		
Concurred in:	<u>Donald Dean</u>	Title:	<u>Environmental Officer, Community Development Commission of the County of Los Angeles</u>
Date:	<u>July 12, 2004</u>		



**LACDC**



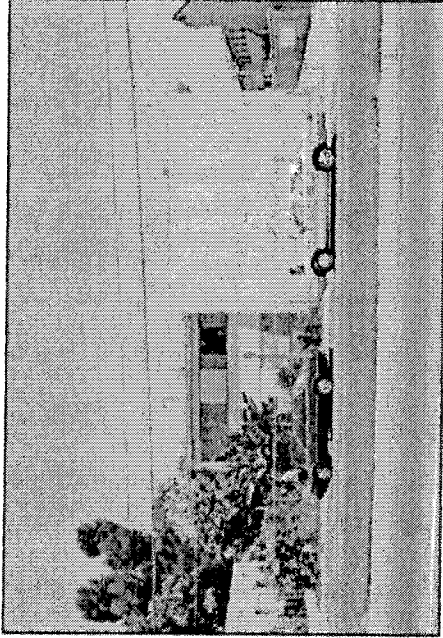
Source: National Geographic TOPOI, Southgate, CA, 1978



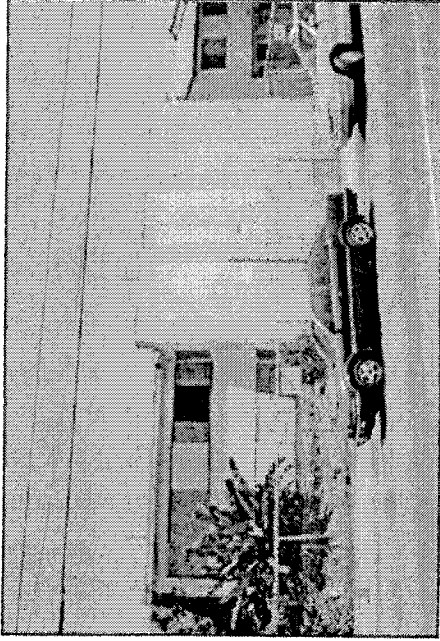
Project Vicinity

Figure 2  
LACDC





North-facing view of the proposed project site with existing, vacant structure, July 7, 2004.



Northeast-facing view of the proposed project site with existing, vacant structure, July 7, 2004.



North-facing view of proposed project site with apartment driveway and side yard, July 7, 2004.



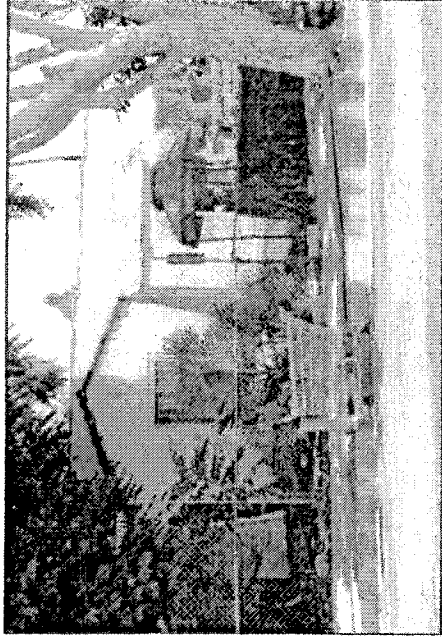
Northeast-facing view of adjacent apartment building to the east of the proposed project site, July 7, 2004.

## Views of the Project Site

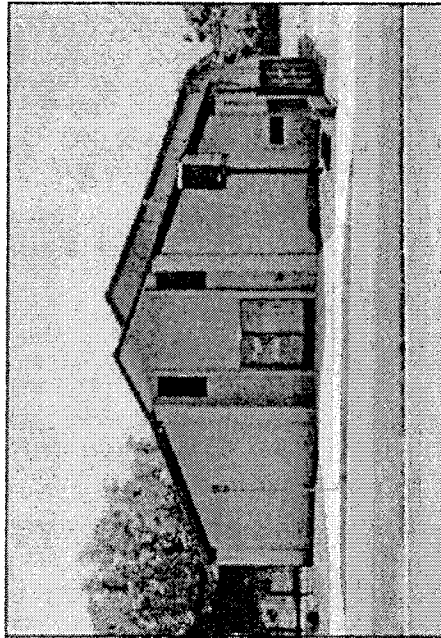
Figure 3a  
LACDC



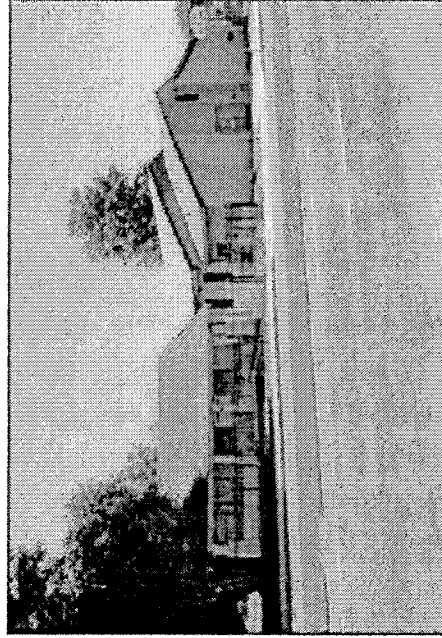
Northwest-facing view of the single-family residential structure adjacent to the west of the project site, July 7, 2004.



North-facing view of the single-family residential structure adjacent to the west of the project site, with local resident standing in front, July 7, 2004.



South-facing view of church across the street to the south of the project site, July 7, 2004.



Southwest-facing view of church and single-family residence across the street to the south of the project site, July 7, 2004.

### Views of the Project Site

Figure 3b  
LACDC

# SAN BUENAVENTURA RESEARCH ASSOCIATES

## MEMORANDUM

1328 Woodland Drive • Santa Paula CA • 93060

805/525-1909  
Fax 805/525-1597  
sbra@historicsresource.com  
www.historicsresources.com

To: Joe Power, Rincon Consultants  
From: Judy Triem, San Buenaventura Research Associates  
Date: 18 June 2004  
Re: **Section 106 Evaluation, Mason Court Construction Project**

### 1. Description of Undertaking

The Los Angeles County Community Development Commission plans to use federal funds to construct a 12-unit apartment building at 2129 East El Segundo Blvd. in the unincorporated Willowbrook area of Los Angeles County. An existing 12-unit, 6,900 square-foot apartment building will be demolished and replaced by a 10,600 square-foot building. Off-site improvements may include replacement or installation of curbs, gutter, and sidewalks.

### 2. Area of Potential Effect

The Area of Potential Effect (APE) includes the project site itself (APN 6152-003-004), the adjacent properties and the properties across E. El Segundo Blvd.

### 3. Description of Location of Undertaking

The project site contains a two-story 12-unit apartment building and a carport, both constructed in 1961. [Photo 1]

Adjacent to the project site on the west is a single family residence from the 1920s. [Photo 2] Adjacent to the project site on the east is a modern two-story apartment building from the 1960s. [Photo 3]

Across East El Segundo Blvd. from the project site are single family residences from around 1905 through the 1940s and a church from the 1970s. [Photo 4]

### 4. Historic Resources/National Register Determination

#### *Historical Background*

Willowbrook was part of the large 3,560 acre Rancho Tajauta granted to Anastasio Avila in 1843 and eventually patented to Enrique Avila in 1873. Willowbrook takes its name from the willows that once grew in the marshy land containing numerous springs that covered the area prior to its development. In 1894-95 the first subdivisions took place in the Willowbrook area along what later became Rosecrans Boulevard.

In 1903 the Willowbrook Tract was recorded, adjacent to the newly established Pacific Electric Railroad line connecting Los Angeles and Long Beach. The name Willowbrook came into use primarily as a Pacific Electric Railroad stop located at 126th Street in Willowbrook.

Prior to World War I, the area was largely agricultural. Many of the subdivisions had deep lots and residents raised poultry and hogs and tended small vegetable gardens. Willowbrook remained fairly rural until the end of World War II when development began to increase.

The 2100 block of East El Segundo Blvd. is located in unincorporated Willowbrook near the northern edge of Compton. This area was developed in the early 1900s as part of the Willowbrook Tract, and overtime many of the houses have been replaced with apartment buildings. Some of these apartments are now fifty

years old and are being replaced again.

#### *Physical Description*

The project site contains one two-story 12-unit apartment building built in 1961. The building is rectangular in plan with a low hip roof and a decorative paneled front bay with a parapet that extends out and up through the roof on the right side. Windows are presently boarded up, but were probably aluminum sliders. The building is covered with stucco siding. A carport is located behind the apartment building.

Adjacent to the project site to the west is a one story Spanish Colonial Revival style building constructed in the 1920s. To the east of the project site is a two story apartment building constructed in the 1960s or later. Across the street from the project site is a stucco clad one story gable roofed church building from the 1970s. On either side of the church are one story single family residences from the early 1900s.

#### *National Register Eligibility*

The criteria for determining eligibility for listing on the National Register of Historic Places (NRHP) have been developed by the National Park Service. Properties may qualify for NRHP listing if they:

- A. are associated with events that have made a significant contribution to the broad patterns of our history; or
- B. are associated with the lives of persons significant in our past; or
- C. embody the distinctive characteristics of a type, period, or method of construction or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinguishable entity whose components may lack individual distinction; or
- D. have yielded, or may be likely to yield, information important in prehistory or history.

According to the National Register of Historic Places guidelines, the "essential physical features" of a property must be present for it to convey its significance. Further, in order to qualify for the NRHP, a resource must retain its integrity, or "the ability of a property to convey its significance."

The seven aspects of integrity are: Location (the place where the historic property was constructed or the place where the historic event occurred); Design (the combination of elements that create the form, plan, space, structure, and style of a property); Setting (the physical environment of a historic property); Materials (the physical elements that were combined or deposited during a particular period of time and in a particular pattern or configuration to form a historic property); Workmanship (the physical evidence of the crafts of a particular culture or people during any given period of history or prehistory); Feeling (a property's expression of the aesthetic or historic sense of a particular period of time), and; Association (the direct link between an important historic event or person and a historic property).

The minimum age criteria for the National Register of Historic Places (NRHP) is 50 years. Properties less than fifty years old may be eligible for listing on the NRHP if then can be regarded as "exceptional."

The subject property does not meet the minimum age requirements for 50 years and should not be regarded as exceptional. It is an ordinary 1960s apartment building.

The buildings within the APE meet the fifty year requirement for National Register eligibility. They do not appear to be associated with an event that has made a significant contribution to the history of Willowbrook (Criterion A).

They do not appear to be associated with the lives of any person significant in our past (Criterion B). They do not embody the distinctive characteristics of a type or method of construction (Criterion C). The residences are fairly common examples of their style and period.

In conclusion, there are presently no known buildings within the APE that are listed or eligible for listing on the National Register of Historic Places.

#### **5. Information from Local Organizations**

No information was collected from local organizations.

#### **6. Selected Sources**

California Historical Landmarks, 1990

Cowan, Robert G. *Ranchos of California*. Los Angeles: Historical Society of Southern California, 1977.

Earth Tech. "Phase I Environmental Site Assessment, 2129 E. El Segundo Blvd., Willowbrook, CA," July 9, 2002.

Ethnic Survey, Los Angeles County entries.

Federal Register Listings through January, 2003

Gebhard, David and Winter, Robert, *Guide to Architecture in Los Angeles*, 1985.

Los Angeles County Assessor Roll information

<http://www.colapublib.org/history/willowbrook/>



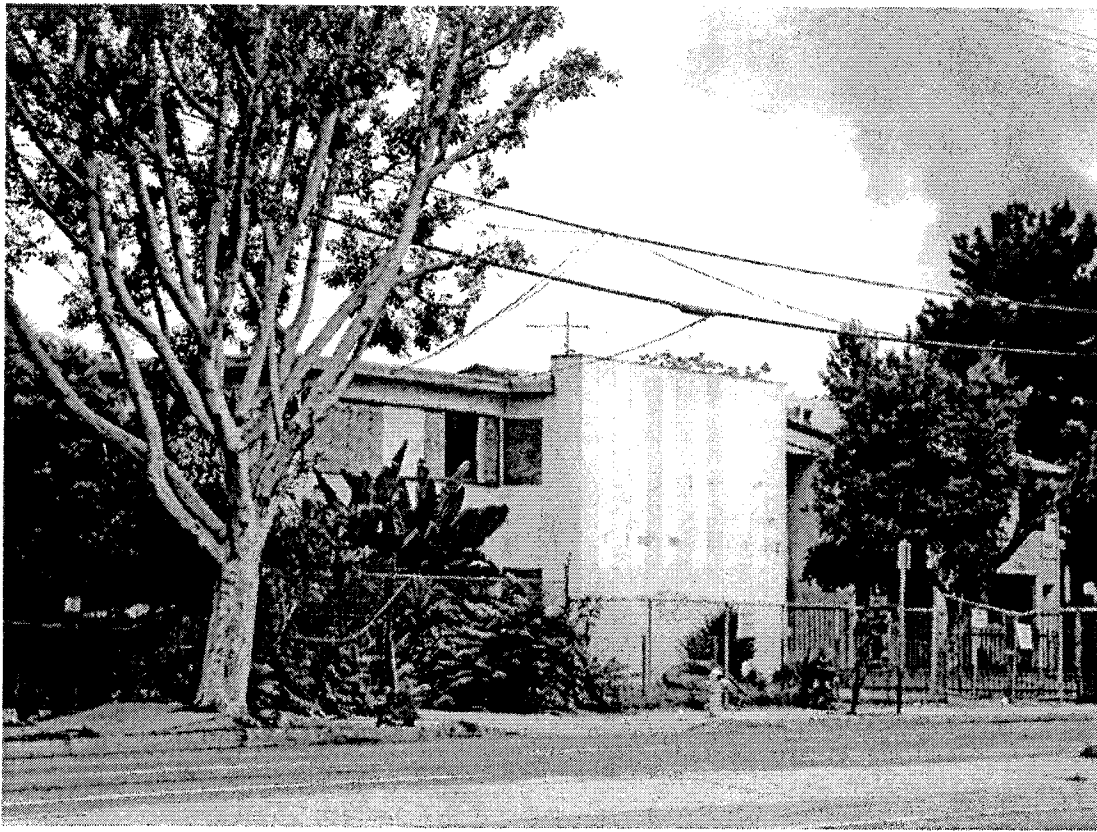


PHOTO 1. Project site: 2129 E. El Segundo Blvd., facing north (17 June 2004).



PHOTO 2. Building east of project site, facing north (17 June 2004).



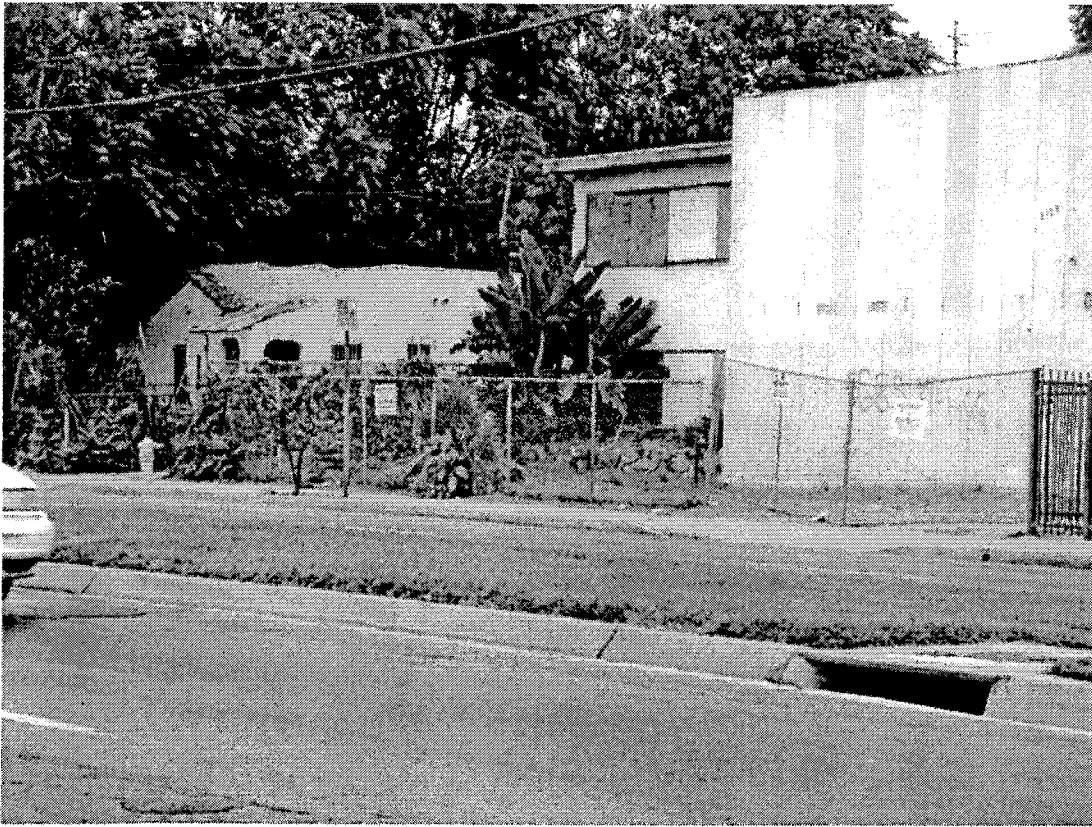


PHOTO 3. Building west of project site, facing northwest (17 June 2004).



PHOTO 4. Buildings across the street from project site, facing west (17 June 2004).





**CONEJO  
ARCHAEOLOGICAL  
CONSULTANTS**

2321 Goldsmith Avenue  
Thousand Oaks, California 91360  
805/494-4309  
email mmaki@adeiphia.net

June 27, 2004

Ms. Meighan Jackson  
Rincon Consultants, Inc.  
790 E. Santa Clara St.  
Ventura, CA 93001

**Subject: CDC – Mason Court Construction Project**

Dear Ms. Jackson:

Archaeological investigations consisting of a project description review, record search and site visit have been completed for the above project. The proposed project consists of the demolition of a 12-unit apartment building located at 2129 East El Segundo Boulevard in the unincorporated Willowbrook area of Los Angeles County (Exhibits 1, 2 & 3). A new, larger 12-unit apartment building will be constructed on the project site. Off-site improvements may include replacements or installation of curbs, gutters and sidewalks. The project site is bordered to the north, east and west by residential properties and by El Segundo Boulevard to the south.

Based on the record search results and field visit findings as presented below, the proposed project is expected to have no effect on archaeological resources and no further archaeological investigation is recommended at this time.

*Record Search*

A record search was conducted at the South Central Coastal Information Center housed at CSU Fullerton on June 16, 2004. The record search identified no prehistoric sites or historic sites within a 0.5-mile radius of the project's area of potential effect (APE). Seven archaeological surveys have been conducted within a 0.5-mile radius of the project APE. None of these surveys included or were adjacent to the project APE.

The listings of the National Register of Historic Places (NRHP), California Historical Landmarks, and California Points of Historical Interest include no properties within or adjacent to the project APE (National Park Service 2004; Office of Historic Preservation 2004a & 1992). The California State Historic Resources Inventory lists no significant

historical properties within or adjacent to the project APE (Office of Historic Preservation 2004b).

Earth Tech, Inc. completed a Phase I Environmental Site Assessment of the project site in July 2002, which included a review of historic USGS topographic maps, aerial photographs, building permits, and city directories. Earth Tech, Inc.'s historic land use research revealed that in 1899, 1902, 1928 and 1947 the project site was undeveloped. In 1961 a building permit was issued for the existing apartment building and two carports. The 1964 City Directory has residential listings for the property and the apartment building is present in the 1965 aerial photograph. No Sanborn Fire Insurance Maps were found for the subject property.

Historian Judy Triem is in the process of conducting a Section 106 evaluation of the project APE's built environment.

#### *Site Visit*

A project site visit was conducted on June 16, 2004. Most of the approximate 0.42-acre APE is paved or built over, which limited survey efforts to less than 20 percent of the project site. No indication of prehistoric or historic resources was noted in the surveyable area. The project APE was graded flat. Vegetation in the undeveloped areas consisted of sparse weeds except in the northern portion of the property by the carport where a dense patch of weeds grew. A few palm trees were present on the property.

#### *Recommendations*

The demolition of the existing apartment building and carport at 2129 East El Segundo Boulevard and the construction of a new apartment building are expected to have no effect on prehistoric or historic archaeological resources for the following reasons.

- No archaeological sites are recorded within a 0.5-mile radius of the project site.
- Earth Tech, Inc.'s (2002) historic land use review did identify any potentially significant past historic use of the property.
- The ground surface throughout the project site has been disturbed by grading and trenching associated with the construction of the existing structures, thereby reducing the likelihood of intact significant archaeological resources occurring within the project APE.

- No evidence of prehistoric or historic archaeological resources was noted in the limited area of the project APE which was surveyable.

Therefore, no further archaeological investigation is warranted at this time. In the unexpected event that project construction exposes buried archaeological resources then the following two recommendations should be put into effect.

1. In the event that archaeological resources are exposed during project construction, all earth disturbing work within the subject property must be temporarily suspended or redirected until an archaeologist has evaluated the nature and significance of the find. After the find has been appropriately mitigated, work in the area may resume.
2. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98.

Please call me at (805) 494-4309 if you have any questions. Thank you for using Conejo Archaeological Consultants for your cultural resource management needs.

Sincerely,



Mary K. Maki, M.A., RPA  
Archaeologist

cc: SCCIC

### Sources Cited

#### Earth Tech, Inc.

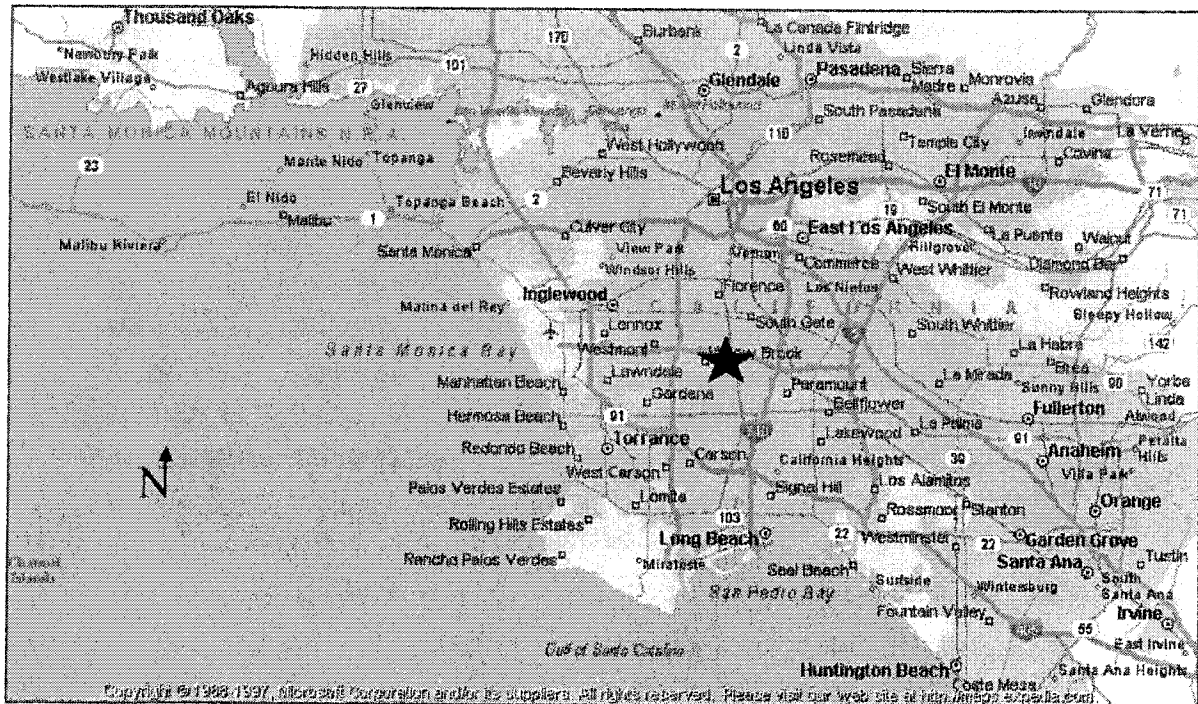
- 2002 Phase 1 Environmental Site Assessment, Apartment Building, 2129 East El Segundo Boulevard, Willowbrook, California, 90222. Prepared for the Community Development Commission, County of Los Angeles.

#### National Park Service

- 2004 National Register of Historic Places.  
<http://www.cr.nps.gov/nr/research/nris.htm>. Department of the Interior.

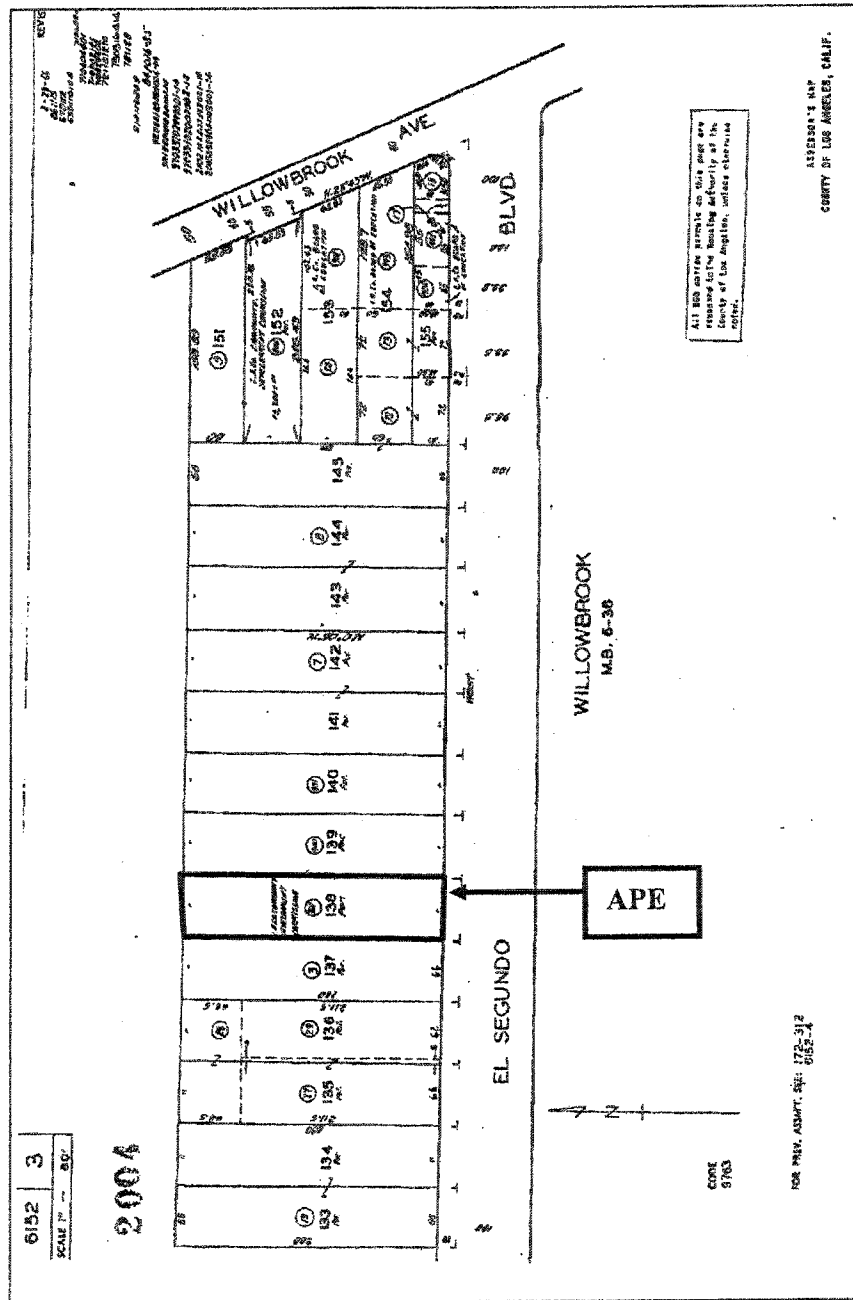
#### Office of Historic Preservation

- 2004a California Historical Landmarks.  
[http://ceres.ca.gov/geo\\_area/counties/LosAngeles/landmarks.html](http://ceres.ca.gov/geo_area/counties/LosAngeles/landmarks.html).  
Department of Parks and Recreation, Sacramento, California.
- 2004b Directory of Properties in the Property Data File for Los Angeles County.  
Department of Parks and Recreation, Sacramento, California, 4-19-04.
- 1992 *California Points of Historical Interest*. Department of Parks and Recreation, Sacramento, California.



**PROJECT VICINITY MAP**  
Mason Court Construction Project  
Willowbrook, Los Angeles County

Exhibit 1

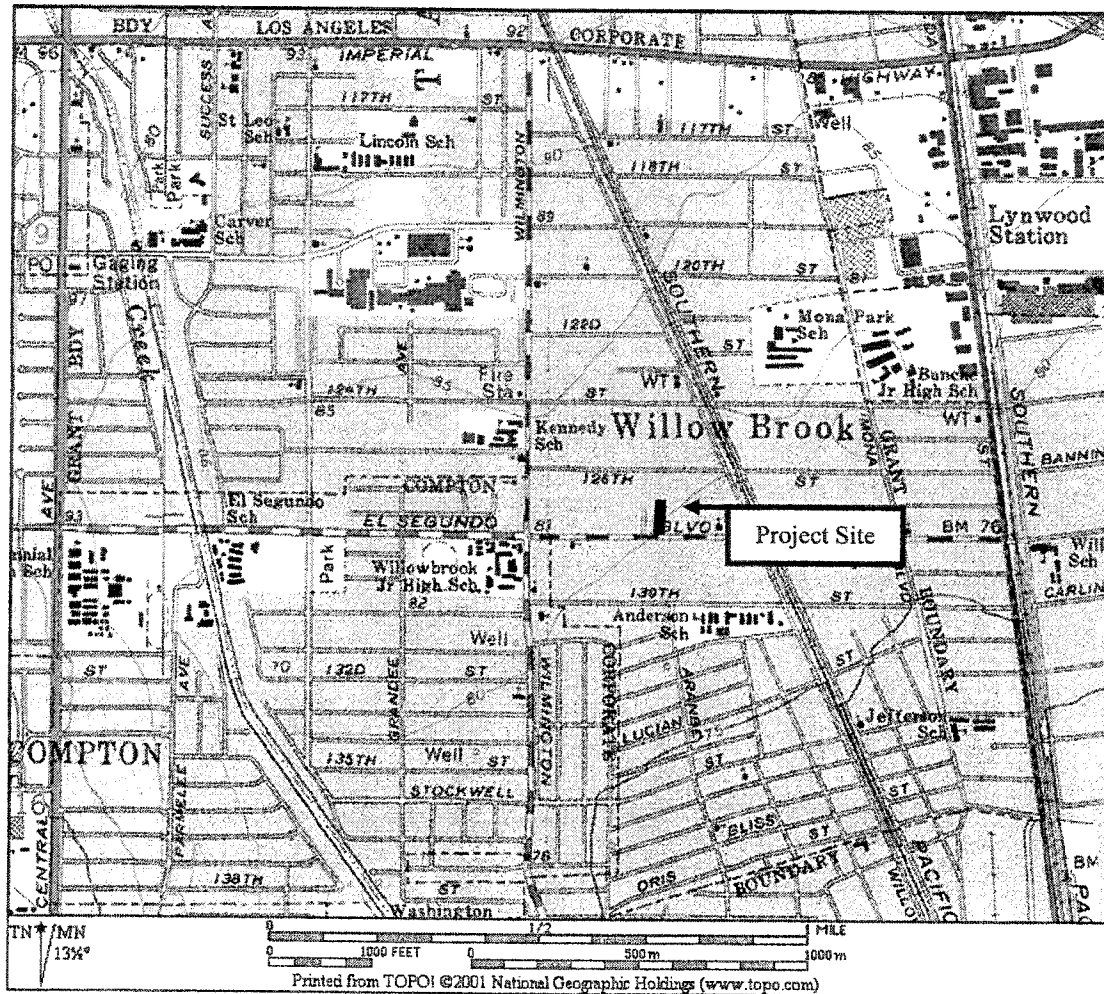


Source: Los Angeles County Assessor -  
<http://assessormap.lacountyassessor.com/mapping/viewer.asp>

## PROJECT AREA OF POTENTIAL EFFECT

Mason Court Construction Project  
Willowbrook, Los Angeles County

Exhibit 2



Source: USGS 7.5'South Gate, Quadrangle, 1964, photorevised 1981

## PROJECT SITE

Mason Court Construction Project  
Willowbrook, Los Angeles County

Exhibit 3